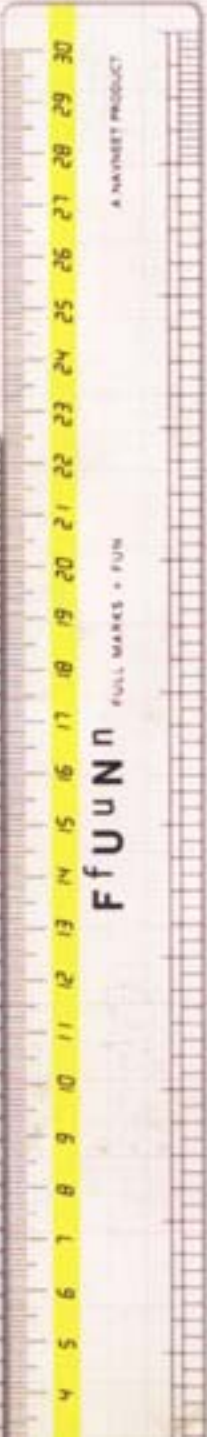
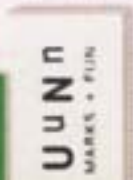




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ANNUAL REPORT  
2007 - 2008







To provide the highest quality of educational products to customers across the globe in the language / medium of their choice

# mission

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## 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

Amit D. Buch

## 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 services sector dominates the Indian economy today, contributing more than half of our national income. One in every two Indians earns his livelihood by providing services. The growth in the service sector is converting country into Knowledge economy where the chief competitive advantage of the nation will be not their physical assets, be it land or natural resources but quality and skill of their people. The growth of the service sector will lead to ample employment opportunities for the educated. This will lead to shortage of educated workforce and the same will be one of the biggest challenges for the Indian economy. The effective answer to this challenge is quality education which has been the focus of your Company since its inception.

Education is one sector towards which the outlook is changing in our country. From being considered as an expense, it is now seen as an investment for the future. India is one of the largest markets in the world for formal education with an addressable population of about 400-450 mn and an annual spend of about \$35 bn. The growth of the Indian economy and the growth of per-capita income would give rise to large middle class households with annual earning between Rs.2-lac and Rs.10-lac and would constitute 40% of the population from its current level of 13%. In rural areas, households emerging from poverty will make educating their children a priority, while higher-income urbanites will be spending more on quality education, university degrees and study-abroad programmes. Historically, this middle class population has been the target market of your company's business.

Given the size of Indian education system, it phases numerous challenges such as weak teacher student ratio, access of education centers, relevance and quality of education. These challenges coupled with rising awareness regarding quality education, give rise to opportunities for private players, like your Company, for educational content and services. Your company foresees a bright future for knowledge based companies across the country.

Your Company has achieved projected growth in publication segment for the current year under the syllabus changing scenario. The Company once again has been successful in publishing quality content within a short period and has enhanced its brand value among both the teaching

and student community. Since the major standards witnessed the syllabus change in the last couple of years, your Company foresees couple of years of consolidation in its core business of syllabus-based books. The international business of children's and general books has shown encouraging signs of rapid growth. Your Company's subsidiary in Spain has shown remarkable performance last year leveraging the 30 year old brand "Grafalco" and justifying the acquisition. Your Company expects similar performance in the current year.

The domestic paper stationery market in India is steadily moving towards an organized market and your Company is in the best position to leverage its brand and network through this shift. The non-paper stationery products launched last year have received encouraging response from the market and will certainly fuel the growth of domestic stationery business in the near future. The domestic stationery business has shown considerable growth in the last year and your Company expects similar performance in the current year too.

Though a further decline in the year under review, International stationery business is expected to perform better current year onwards with reducing competition from neighbouring countries. However the volatile global scenario restricts your Company from adopting aggressive strategies for this business.

Your Company foresees Electronic learning as the future of education. The educational communities and the government authorities have started realizing and accepting that technology would be a probable answer to many of the challenges that exist in the education system today. Your Company has long term plans towards this opportunity. Your Company believes that although the segment in general will witness a testing phase for a couple of years, in the long run a quality content provider with effective delivery mechanism would meet long term success. Your Company is steadily working towards this success.

Overall, your company is growing steadily and will definitely benefit from the changing outlook towards education in the country.

**Shivji K. Vikamsey**

### (I) NAVNEET'S Dividend Policy

The Company continues with its liberal dividend policy and accordingly the Company has paid two interim dividends for the year under review. The first interim dividend of Rs. 1.60 (80%) per share and second interim dividend of Rs. 0.80 (40%) per share on Rs. 2/- face value was paid during year under review. Accordingly, the total dividend paid by the Company is Rs. 2.40 (120%) per share on face value of Rs. 2/- each during the year under review as against Rs.2/- (100%) in the previous year. The dividend pay out for the year under review works out to 49.76% against your Company's policy of distribution of minimum of 25% of profit after tax.

### (II) Creating Shareholders' Value

The focus of the Company has always been in creating shareholders' value. The Company follows the sound business policies and takes prudent investment decision from time to time enhancing shareholders' value.

The net worth of the Company has increased year after year and has increased from Rs. 205 Crores to Rs. 230 Crores.

The dividend payout is 49.76% during the year under review as against 44.67% in the previous year.

### (III) Market Capitalisation

Market capitalization of the Company was Rs. 916 Crores as at 31<sup>st</sup> March 2008 as against Rs. 553 Crores as at 31<sup>st</sup> March 2007.

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

#### What was the performance of the Company in the period under review?

Revenue of publication and stationery segments increased by 23% and 25% respectively. Growth in publication segment business was driven by syllabus change in Maharashtra and Gujarat. Domestic stationery business grew by 35% due to aggressive marketing and introduction of non-paper stationery

product range. International stationery business has however declined by 16% over the previous year.

#### What is the expected performance of the Company in the current year?

As expected, both the states (Maharashtra & Gujarat) have witnessed syllabus change of major standards over the last few years resulting into growth in publication business. Since there is no major syllabus change scheduled for the current year, the Company expects a moderate growth in the publication segment.

Domestic stationery business is expected to grow at 30% with aggressive marketing initiatives. However, the margins would remain under pressure due to additional marketing overheads. The Company is expected to benefit in the long run through such initiatives.

International Stationery business has received encouraging inquiries due to reduced competition from neighbouring countries. The Company expects 50% growth in this business.

The Company has initiated its e-learning venture in the states of Gujarat and Maharashtra. The initial response is both encouraging and promising. The Company believes that it would take another two to three years for these concepts to be adopted by the teaching and learning community particularly in the class of population that Company deals with. The Company expects a turnover of around Rs.300-lac for the current year.

Your Company will have a challenging year on account of inflation.

#### How were the operating margins during the year? Is it likely to improve going forward?

The operating margin of your Company has declined by 1.61% to 20.46% due to reduced profitability in the stationery segment primarily on account of aggressive marketing initiatives.

The operating margin for the publication segment has improved by 2% to 33% following the growth in revenue.

The company expects to maintain the publication segment operating margin at the same level.

The operating margin for the stationery segment was under pressure for the last year and reduced to 6%, mainly on account of aggressive marketing in domestic stationery business resulting in additional expense of Rs.617-lac the benefits of which are expected over a long period and also due to bad debt of INR 260-lac in international business. The margin in this business is expected to improve on account of higher revenue and also as no major debt is considered doubtful as on date.

Overall the Company's operating margin may vary in the current year, on account of product mix as the stationery business is likely to grow faster with similar business and margin in the publication segment.

### **What has been the trend in paper prices?**

Overall paper consumption is increasing year after year, simultaneously new capacities are coming up offsetting the mismatch of demand and supply. Paper prices do fluctuate during the year but over all your Company has been successful in passing on the price rise to the final consumer. In the current year, paper prices are likely to increase substantially considering the inflation and demand supply scenario.

### **What are capex plan in the current year?**

The Company had built up adequate infrastructure to cater to its current needs of publication and stationery business. No major capex is planned in the current year for these businesses. The Company is looking for investment opportunities in e-learning content development and effective delivery model and would consider investing with suitable opportunities.

### **What has been the progress of the Spanish acquisition?**

"Grafalco" was acquired in mid 2005 through a wholly owned subsidiary. Accounts of the subsidiary are part of this annual report. The Company's focus has been on introducing new products and tying-up with super markets having presence

across the country. The Company has shown encouraging performance for the calendar year 2007 with a growth of 80% in revenue and net surplus in the profit and loss account wiping off accumulated operational losses. The subsidiary is expected to grow at 25% in the current year.

### **Does your Company cater to any social responsibilities?**

Your Company uses eco friendly paper for most of its products catering to environmental needs. Moreover, your Company donates around 5 to 10% of its net earnings mainly in the areas of education, rehabilitation and medical and for the year under consideration, your Company donated Rs.353 Lac mainly for rehabilitation and medical help. The management will continue to discharge its voluntary commitment to society year after year.

### **What is the progress of the windmill project ?**

All the windmills were made operational in fiscal 2007-08. The Company has accounted gross revenue of Rs.144 Lac for the year ended March 2008 and expects gross yearly revenue of around Rs.350 Lac from the project henceforth.

### **What are the derivative transactions referred in the notes to accounts?**

USD 11.27 Mn worth of derivative contracts were open on balance sheet date for sale of USD hedging Company's receivables in foreign currency over a period up to five years. Premium, if any, would be payable in the fourth and fifth year of the contracts.

Further, the company has entered into derivative option contracts hedging its exposure on ECB availed for wind power generation project. Option contracts worth of JPY 504-Mn are open as on balance sheet date, maturing over a period of seven years. The Company has reasonable hedge against its ECB borrowings.

The Company may take such steps as necessary from time to time in respect of the derivative contracts to protect the Company's interest.

### **Why is there increase in current assets and current liabilities?**

The increase in current assets is mainly on account of increase in raw material inventories and trade receivables. The increase in raw material inventory was to ensure availability of raw material considering the seasonal nature of business. Increase in trade receivables are in line with increase in revenue as average collection days have remained at a level of 49 days for the current year as against 45 days for last year. Increase in current liabilities is on account of increased trade payables for raw material.

### **Could you please explain e-learning venture?**

The Company has been witnessing rapid increase in awareness about e-learning, but slow and steady acceptance of technology by the teaching community. As its pilot project, the Company has offered to schools syllabus based multimedia software, in English and regional languages for class room use. The Company started marketing the software in Gujarat in the year under consideration and by the fiscal year end, has 125 schools using the software as teaching aid. The Company had initiated marketing the software in Maharashtra only in April 08, and already has 25 schools / coaching classes using the software. The Company offers the software on one year license fee to its customers. The Company has plans to offer web and desktop based exam-oriented products to students in the ensuing year.

The Company has tied up with a Gujarat based group considering their expertise in content development and is in the process of setting up a subsidiary namely Navneet e-learning Pvt. Ltd. The subsidiary would primarily be responsible for developing the content for the Company. The Company is looking for such other investment opportunities in this segment.

### **Why is there a substantial increase in other income and interest expense?**

Other income includes cash discount received from our raw material suppliers. The terms of cash discount are different for each of the supplier and it keeps on changing year on year.

There is an increase of INR 103 Lac in other income on account of cash discount. Apart from that, Company has earned higher interest income on its short term investments. The interest expense has increased due to higher working capital requirement with growth in business and higher interest costs in current year.

### **What is the major bad debt?**

The Company has been adequately insuring its foreign currency receivables and has provided for the uncovered amount of doubtful debts. The Company is putting all efforts to recover the outstanding debt amount.



## (1) COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company is committed to good Corporate Governance which forms basis of its decision making and monitoring process. Corporate Governance at Navneet is not just adherence to mandatory rules and guidelines but it stands for responsible and value creating management and control of the Company.

The basic philosophy of Corporate Governance is to achieve business excellence and dedicate itself for increasing long term shareholder value keeping in view the needs and interests of the shareholders. The Company fully realises the rights of its shareholders to information on the performance of the Company.

## (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 attended and remuneration for the year is given below:-

Sr. No.	Name of Director	Category	Board Meetings during 2007-2008		Salary (Rs.)	Other Benefits (Rs.)	Contri. To PF (Rs.)	Sitting Fee (Rs.)	Total Remuner. (Rs.)	Last AGM attended
			Held	Attended						
1.	Shri. S. K. Vikamsey	ID	6	6	0	0	0	36,500	36,500	Yes
2.	Shri. A. R. Gala	PD	6	5	17,40,000	12,36,367	2,08,800	0	31,85,167	Yes
3.	Shri. J. K. Sampat	PD	6	6	17,40,000	12,36,367	2,08,800	0	31,85,167	Yes
4.	Shri. D. R. Gala	PD	6	6	17,40,000	12,36,367	2,08,800	0	31,85,167	Yes
5.	Shri. H. R. Gala	PD	6	5	17,40,000	12,36,367	2,08,800	0	31,85,167	Yes
6.	Shri. S. R. Gala	PD	6	5	17,40,000	12,36,367	2,08,800	0	31,85,167	Yes
7.	Shri. J. L. Gala	PD	6	5	17,40,000	12,36,367	2,08,800	0	31,85,167	Yes
8.	Shri. A. M. Nadkarni	ID	6	6	0	0	0	46,500	46,500	Yes
9.	Shri. K. S. Vikamsey	ID	6	4	0	0	0	28,500	28,500	Yes
10.	Shri. L. D. Shah	ID	6	5	0	0	0	30,000	30,000	Yes
11.	Dr. R. Varadarajan	ID	6	0	0	0	0	0	0	No
12.	Shri. V. D. Rai	NED	6	4	0	0	0	16,000	16,000	Yes
13.	Shri. H. U. Gadhecha	ID	6	6	0	0	0	36,500	36,500	Yes

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 31<sup>st</sup> March, 2008:

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

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

There were six board meetings held during 2007-2008 and gap between two board meetings did not exceed four months. The dates of the board meetings are as under:

- |                                    |                                    |
|------------------------------------|------------------------------------|
| (1) 28 <sup>th</sup> April, 2007   | (2) 28 <sup>th</sup> June, 2007    |
| (3) 31 <sup>st</sup> July, 2007    | (4) 24 <sup>th</sup> October, 2007 |
| (5) 30 <sup>th</sup> January, 2008 | (6) 7 <sup>th</sup> March, 2008    |

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

#### Shri Dungarshi R. Gala

Shri Dungarshi R. Gala has wide experience in the field of Educational Books Publishing. He is actively involved in formulating the Strategy for publishing Educational Books.

#### Shri Jitendra L. Gala

Shri Jitendra L. Gala has wide experience in the field of marketing.

#### Shri Ashok M. Nadkarni

Shri Ashok M. Nadkarni is a senior ex-banker with vast experience of 40 years in the field of banking and corporate finance.

2.6 Non-executive Directors do not hold any shares in the Company.

2.7 Shri. Amarchand R. Gala, Shri. Dungarshi R. Gala. Shri. Harakhchand R. Gala and Shri. Shantilal R. Gala are related as brothers. Shri Shivji K. Vikamsey and Shri Kamlesh S. Vikamsey are related as father and son.

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

The Board at its meeting held on 7<sup>th</sup> 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](http://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 by the Managing Director under Clause 49 of the Listing Agreement regarding compliance with Code of Conduct is given below:

In accordance with Clause 49(D) of the Listing Agreement with the Stock Exchanges, I hereby confirm that all the Members of the Board and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct guideline as applicable to them for the Financial Year ended 31st March 2008.

**Amarchand R. Gala**  
Managing Director

### (4) AUDIT COMMITTEE

#### 4.1 Composition

The Audit Committee presently comprises of four Independent Directors namely, Shri Shivji K. Vikamsey, Shri Kamlesh S. Vikamsey, Shri Ashok M. Nadkarni and Shri Hasmukh U. Gadhecha. The Chairman of the Audit Committee is an Independent Director namely Shri Kamlesh S. Vikamsey.

4.2 Shri Amit D. Buch, Company Secretary is Secretary to the Audit Committee.

#### 4.3 Attendance

Five Audit Committee Meetings were held during the year under review on 28<sup>th</sup> April 2007, 28<sup>th</sup> June 2007, 31<sup>st</sup> July 2007, 24<sup>th</sup> October 2007 and 30<sup>th</sup> January 2008.

The composition of the Audit Committee, the number of meetings held and attended are as under:-

Name of Director	Meetings Held	Meetings Attended
Shri Kamlesh S. Vikamsey	5	3
Shri Shivji K. Vikamsey	5	5
Shri Ashok M. Nadkarni	5	5
Shri Hasmukh U. Gadhecha	5	5

The Chairman of the Audit Committee was present at the last Annual General Meeting held on 31<sup>st</sup> July 2007.

The Minutes of the Audit Committee are noted at the meeting of the Board of Directors of the Company.

#### 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 transactions.
  - 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 thereon.
- (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, by the Board from time to time.

## (5) SUBSIDIARY COMPANY

Grafalco Ediciones S.L., a Wholly Owned Subsidiary of the Company in Spain, acquired the Brand GRAFALCO, and the intellectual Property rights in respect of around 600 titles of Children's Publications in the Spanish Language.

The Board of Directors periodically reviews the investments and transaction of its Wholly Owned Subsidiary Company.

## (6) INVESTORS' GRIEVANCE COMMITTEE

### 6.1 Composition

Investors' Grievance Committee consists of three Independent Directors namely:

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

The Chairman of Investors' Grievance Committee is an Independent Director namely Shri Liladhar D. Shah.

### 6.2 Terms of Reference

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

6.3 Investors' Grievance Committee meetings were held on 28<sup>th</sup> April 2007, 31<sup>st</sup> July 2007, 24<sup>th</sup> October 2007 and 30<sup>th</sup> January 2008.

The number of Investors' Grievance Committee Meetings held and attended thereat are as under:

Name of Director	No. of Meetings Held	No. of Meeting Attended
Shri Liladhar D. Shah	4	4
Shri Kamlesh S. Vikamsey	4	2
Shri Ashok M. Nadkarni	4	4

Shri Amit D. Buch, Company Secretary is the Compliance Officer. The Minutes of Investors' Grievance Committee Meetings are noted by the Board of Directors of the Company.

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

Description	Received	Resolved	Pending
Transfer / Demat	5	5	0
Non-receipt of Share Certificate	13	13	0
Non-receipt of Dividend Warrant	42	42	0
General Correspondence / Complaints	34	34	0
<b>Total</b>	<b>94</b>	<b>94</b>	<b>0</b>

## (7) REMUNERATION COMMITTEE

### 7.1 Composition

The Remuneration Committee of the Company was constituted on 27<sup>th</sup> April 2004 comprising of the following Members:

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

Shri Amit D. Buch, Company Secretary is the Secretary of the Remuneration Committee.

### 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 30<sup>th</sup> April 2007 which was attended by all the Members of the Remuneration Committee.



## (8) GENERAL MEETINGS

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

Financial Year & Meeting No.	Day & Date	Time	Venue
2006-07 Twenty First	Tuesday 31 <sup>st</sup> July, 2007	3:30 p.m	Textile Committee Auditorium, Textile Committee Building, P. Balu Road, Near Tata Press, Prabhadevi Chowk, Mumbai – 400 025.
2005-06 Twentieth	Monday 4 <sup>th</sup> Sept., 2006	3:30 p.m	Textile Committee Auditorium, Textile Committee Building, P. Balu Road, Near Tata Press, Prabhadevi Chowk, Mumbai – 400 025.
2004-05 Nineteenth	Monday 3 <sup>rd</sup> Sept., 2005	3:30p.m.	Mini Theatre, 3 <sup>rd</sup> Flr., P.L.Deshpande Maharashtra Kala Academy, Ravindra Natya Mandir, Sayani Road, Prabhadevi,

## **8.2 Special Resolutions passed at last three Annual General Meetings**

- a) **21<sup>st</sup> AGM held on 31<sup>st</sup> July, 2007** : Nil
- b) **20<sup>th</sup> AGM held on 4<sup>th</sup> September, 2006**
  - ❖ Approving substitution of existing regulation 3 of the Articles of Association in respect of authorised share capital of the Company with new regulation 3.
- c) **19<sup>th</sup> AGM held on 3<sup>rd</sup> September, 2005**
  - ❖ Approving payment of Sitting Fees to Non-Executive and Independent Directors for attending Board / Committee Meetings.
  - ❖ Approving the enhancement of investment limits under Section 372(A) of the Companies Act, 1956.

## **8.3 Passing of Resolutions by Postal Ballot**

There were no resolutions passed by Postal Ballot at the Twenty - First Annual General Meeting held on 31<sup>st</sup> July, 2007. Further, there is no item on agenda of the ensuing Annual General Meeting that needs approval by postal ballot. However, Resolutions, if required, shall be passed by postal ballot during the year ending 31<sup>st</sup> March, 2009 as per the prescribed procedure.

## **(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](http://www.navneet.com), after its submission to Stock Exchanges.

**10.2** The Company normally publishes its Quarterly Results in “Business Standard”, 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) GENERAL SHAREHOLDERS' INFORMATION

#### 11.1 22<sup>nd</sup> Annual General Meeting :

Date : 31<sup>st</sup> July, 2008  
 Time : 3:30 p.m.  
 Venue : Textile Committee Auditorium,  
 Textile Committee Building,  
 P. Balu Road, Near Tata Press,  
 Prabhadevi Chowk, Mumbai – 400 025.

**11.2 Financial Year :** 1<sup>st</sup> April to 31<sup>st</sup> March.

#### 11.3 Financial Calendar :

Board Meetings to be held for approving Quarterly Results :

Particulars	Date
Quarterly Results for 1 <sup>st</sup> Quarter	Last Week of July 2008
Quarterly Results for 2 <sup>nd</sup> Quarter	Last Week of October 2008
Quarterly Results for 3 <sup>rd</sup> Quarter	Last Week of January 2009
Quarterly Results for 4 <sup>th</sup> Quarter	Last Week of April 2009

#### 11.4 Date of Book Closures :

The Register of Members and Share Transfer Books will remain closed from 25<sup>th</sup> July, 2008 to 31<sup>st</sup> July, 2008 (both days inclusive).

#### 11.5 Dividend paid during the year under review :

First Interim Dividend of Rs.1.60 per share (80%) (on Rs.2/- face value) was paid on 6<sup>th</sup> November, 2007.

Second Interim Dividend of Re.0.80 per share (40%) (on Rs.2/- face value) was paid on 27<sup>th</sup> March, 2008.

The total dividend paid for the year ended 31<sup>st</sup> March, 2008 is Rs.2.40 per share on face value of Rs.2/- per share.

#### 11.6 Company's Shares are listed on :

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

#### 11.7 Stock Codes on Stock Exchanges :

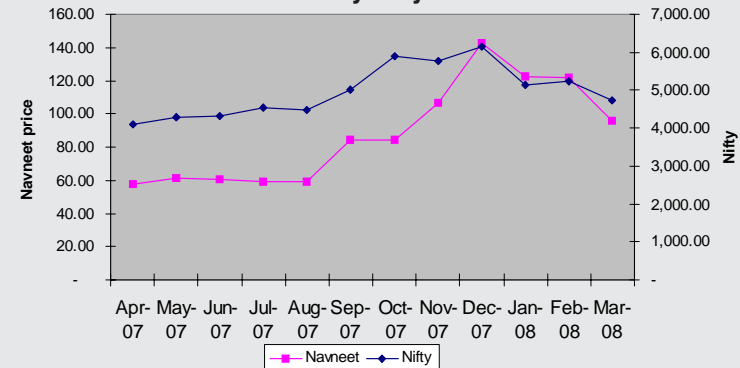
BSE : 508989 NSE : NAVNETPUBL  
 ISIN : INE 060A01024

Listing Fees for 2008-2009 have been paid to both the Stock Exchanges where the shares of the Company are listed.

#### 11.8 Volume of Shares traded and Stock Price Movement on a month to month basis :

Month	BSE No. of Shares	NSE No. of Shares	BSE (High)	BSE (Low)	NSE (High)	NSE (Low)
April, 2007	781267	738195	61.40	50.50	61.00	49.50
May, 2007	1202864	1028304	64.00	54.00	64.00	54.00
June, 2007	1618463	1572216	63.75	54.50	63.70	51.35
July, 2007	675101	466497	63.75	56.25	63.90	55.00
August, 2007	1087034	720262	64.90	55.00	63.75	55.00
September, 2007	5598444	4652974	91.90	58.40	92.00	58.40
October, 2007	2734996	2024357	96.50	73.00	94.45	76.55
November, 2007	3478211	2905851	113.35	81.15	114.00	81.00
December, 2007	1920921	1554984	148.50	106.35	148.50	105.35
January, 2008	2216419	2069542	165.60	96.30	165.80	97.20
February, 2008	6492745	2045012	141.85	107.00	141.80	102.25
March, 2008	670699	498457	119.00	82.25	119.50	81.15

#### Navneet Publications Vs Nifty for year ended 31.03.2008



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

BSE volume as a percentage to total shares outstanding : 29.88%  
NSE volume as a percentage to total shares outstanding : 21.28%

## 11.10 Distribution of Shareholding as on 31st March 2008 :

No of equity shares held	No. of Shareholders	Percentage of Shareholders	No. of Shares	Percentage of Shareholding
001-500	8797	66.78	1461657	1.53
501-1000	1175	8.92	996146	1.05
1001-2000	1383	10.50	2123568	2.23
2001-3000	809	6.14	2004531	2.10
3001-4000	162	1.23	587906	0.62
4001-5000	251	1.91	1166656	1.22
5001-10000	285	2.16	2039525	2.14
10001 & above	311	2.36	84906011	89.11
<b>Total</b>	<b>13173</b>	<b>100</b>	<b>95286000</b>	<b>100</b>

## 11.11 Category of Shareholders as on 31st March 2008 :

Category	% to Paid-up Share Capital
Foreign Institutional Investors (FIIs)	8.02
Non-Resident Indians (NRIs)	0.89
Overseas Corporate Bodies (OCB)	1.10
Financial Institution / Banks	0.01
Mutual Funds	5.33
Domestic Companies	6.04
Promoters	61.81
Public	16.63
Other Clearing members	0.17
<b>Total</b>	<b>100</b>

## 11.12 Registrar & Share Transfer Agent:

### Intime Spectrum Registry Limited

C-13, Pannalal Silk Mills Compound,  
L. B. S. Marg, Bhandup (West),  
Mumbai – 400 078

Tel : (91-022) 2596 3838

Fax : (91-022) 2594 6969

E-mail : raghunath.poojary@intimespectrum.com

Website : www.intimespectrum.com

## 11.13 Dematerialisation of Shares and liquidity:

The Company's shares are compulsorily traded in dematerialised form and available for trading on both the depositories in India viz. National Securities Depository Limited (NSDL) and Central Depository Securities (India) Ltd. (CDSL).

Equity shares of the Company representing 96.26% of the Company's Share Capital are dematerialised as on 31st March, 2008.

In 2007-2008 - 96.26%                      In 2004-2005 - 94.62%

In 2006-2007 - 95.59%                      In 2003-2004 - 93.63%

In 2005-2006 - 95.13%                      In 2001-2003 - 92.84%

The Company's shares are regularly traded on National Stock Exchange of India Ltd. and Bombay Stock Exchange Ltd. in electronic form.

Latest information on shares dematerialised is available on the Company's website at [www.navneet.com](http://www.navneet.com)

## 11.14 Share Transfer in Physical Form

Share Transfer in physical form can be lodged with the Registrar and Transfer Agent namely Intime Spectrum Registry Limited at the address mentioned herein above or at their Branch Offices mentioned in its website. The transfers are normally processed within 15 days if the documents are complete in all respect and thereafter the share certificates duly transferred are despatched.

Total Number of Shares transferred in physical form during the year were 176780 against 51340 for the previous year.

### Investors Contact Information :

Mr. Raghunath Poojary

Email Address : [raghunath.poojary@intimespectrum.com](mailto:raghunath.poojary@intimespectrum.com)

### 11.15 Outstanding GDRs / ADRs / Warrants:

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

### 11.16 Plant Locations:

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

- ❖ Village Dantali, Dist. & Tal. Gandhi Nagar, Gujarat.
- ❖ Village Sayali, Silvassa.
- ❖ Gokhiware, Chinchpada, Vasai, Dist. Thane
- ❖ Dabhel, Nani Daman, U.T. Daman & Diu.
- ❖ Rakanpur, Taluka Kalol, Dist. Mehsana

### 11.17 Registered Office :

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

Tel : +91- 22-66626565

Fax : +91- 22-66626470

E-mail : [members@navneet.com](mailto:members@navneet.com)

### 11.18 Compliance Officer :

Company Secretary and

Compliance Officer : Mr. Amit D. Buch

E-mail : [amit.buch@navneet.com](mailto:amit.buch@navneet.com)

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

Name of Director	Date of Birth	Date of Appointment	Experience in specific Functional Area	Qualification	Directorship held in Other Public Companies	Committee position held in other companies	Equity Shares held
Shri Dunganarshi R. Gala	31/03/1936	30/04/1993	He has a wide experience in the field of Educational Book Publishing.	S.S.C.	NIL	NIL	22,720
Shri Jitendra L. Gala	14/01/1942	30/05/1992	He has a wide experience in the field of marketing.	B.Com.	NIL	NIL	99,970
Shri Ashok M. Nadkarni	31/01/1933	28/01/2002	He is a senior ex-banker with vast experience of 40 years in the field of banking and corporate finance.	B.A. (Hons.)	NIL	NIL	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 31<sup>st</sup> March 2008 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 statement of the Company.

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

We 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**

sd/-

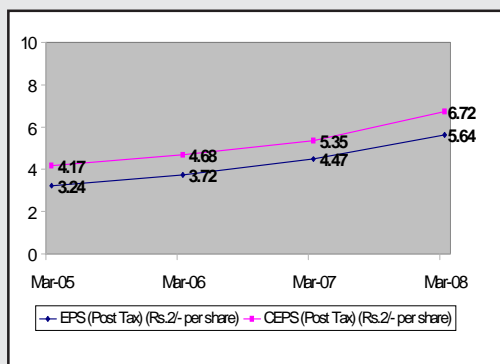
Haresh K. Chheda

**Partner**

**Membership No. 38262**

**Place : Mumbai**

**Date : 27<sup>th</sup> June 2008.**



Ratio Analysis Profitability Ratios	Mar-05	Mar-06	Mar-07	Mar-08
ROACE % (Post Tax)	18.63	19.86	21.94	23.78
ROACE % (Pre Tax)	28.09	27.95	32.74	32.68
ROFA % (Post Tax)	43.84	52.21	64.22	60.39
ROFA % (Pre Tax)	66.12	73.49	95.83	82.99
Operating Margin %	20.58	20.06	22.07	20.46
Profit After Tax Margin %	11.26	12.05	13.05	13.43

ROACE : Return on average capital employed.

ROFA : Return on Fixed Assets.

NOTES :

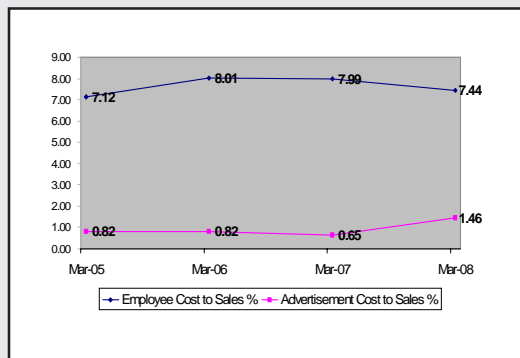
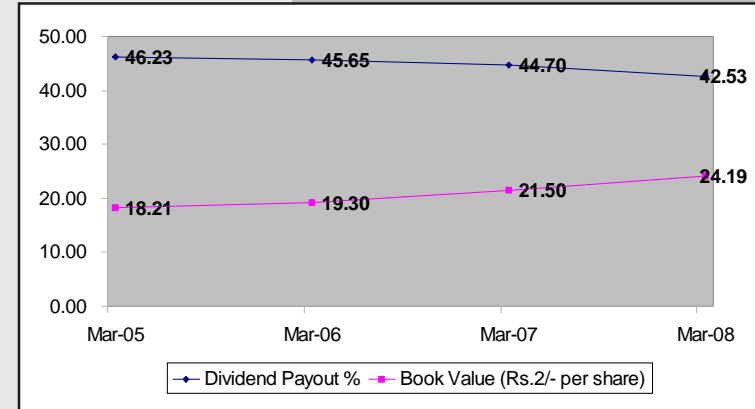
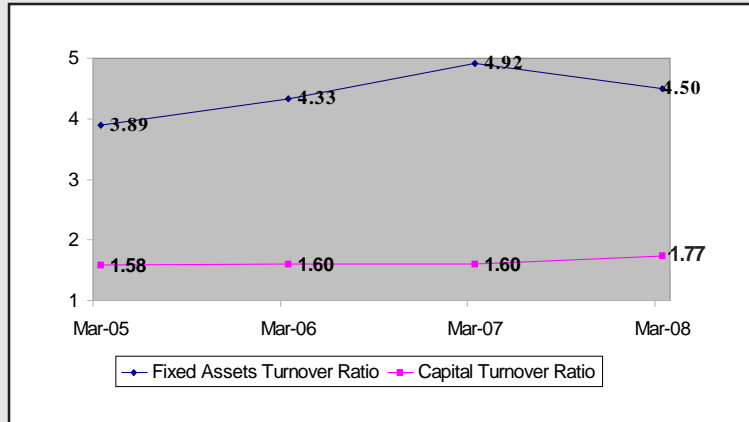
- 1) Loan of Rs. 6671 Lacs (Rs. 4912 Lac) are of short term in nature and have been treated as current liability above and not included in capital employed.
- 2) Loans of Rs. 1685 Lac (Rs.NIL) are of long term in nature and have been treated as capital employed

### Solvency Ratio

Debt-equity	0.00	0.00	0.00	0.07
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### Liquidity Ratio

Current	2.64	2.70	3.07	2.66
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Ratio Analysis Profitability Ratios

Miscellaneous Ratios

	Mar-05	Mar-06	Mar-07	Mar-08
EPS (Post Tax)(Rs 2/- per share)	3.24	3.72	4.47	5.64
EPS (Pre Tax) (Rs 2/- per share)	4.89	5.24	6.68	7.76
CEPS (Post Tax) (Rs 2/- per share)	4.17	4.68	5.35	6.72
CEPS (Pre Tax) (Rs 2/- per share)	5.82	6.20	7.55	8.83
Dividend Payout %	46.23	45.65	44.70	42.53
Price Earning	15.04	16.22	11.81	17.11
Book Value (Rs 2/- per share)	18.21	19.30	21.50	24.19
Employee Cost to Sales %	7.12	8.01	7.99	7.44
Advertisement Cost to Sales %	0.82	0.82	0.65	1.46
Fixed Assets Turnover Ratio	3.89	4.33	4.92	4.50
Capital Turnover Ratio	1.58	1.60	1.60	1.77
Average Collection (Days)	63	57	45	49
Average Payment (Days)	32	23	15	25

## Financial Highlights (Rs. in Lacs)

NAVNEET PUBLICATIONS (INDIA) LIMITED

	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue	25,285	27,454	29,439	32,676	40,043
Gross Profit (PBDT)	6,084	5,548	5,905	7,193	8,412
Depreciation	893	885	910	831	1,022
Tax	1,673	1,571	1,426	2,098	2,013
Net Profit (PAT)	3,518	3,092	3,548	4,263	5,377
Dividend	1,429	1,429	1,620	1,905	2,287
Dividend (%)	75	75	85	100	120
Retained Profit	1,901	1,511	1,033	2,091	2,702
Book Value (Face Value at Rs.2/-)	17	18	19	21	24
Equity Capital	1,906	1,906	1,906	1,906	1,906
Reserves & Surplus	13,936	15,447	16,481	18,577	21,148
Borrowings (Short term)	7,815	3,966	5,036	4,913	6,671
(Long term)	-	-	-	-	1,685
Capital Employed	15,842	17,353	18,386	20,483	24,739
Gross Block	11,911	12,877	13,632	14,219	17,408
Net Block	6,781	7,052	6,792	6,595	8,821
Net Current & Other Assets	6,780	10,091	11,729	13,259	15,879

NOTES :

- 1) Loans of Rs.6671 Lac (Rs.4913 Lac) are of short term in nature and have been treated as current liability and not included in capital employed.
- 2) Loans of Rs.1685 Lac (Rs.NIL) are of long term in nature and have been treated as capital employed.



## Financial Highlights (US \$ Mn)

NAVNEET PUBLICATIONS (INDIA) LIMITED

	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue (USD-Mn)	57.47	62.39	66.91	74.26	91.01
Gross Profit (PBDT)	13.83	12.61	13.42	16.35	19.12
Depreciation	2.03	2.01	2.07	1.89	2.32
Tax	3.80	3.57	3.24	4.77	4.58
Profit After Tax (USD-Mn)	7.99	7.03	8.06	9.69	12.22
Dividend	3.25	3.25	3.68	4.33	5.20
Dividend (%)	75	75	85	100	120
Retained Profit	4.32	3.44	2.35	4.75	6.14
Reserves (USD-Mn)	31.67	35.11	37.46	42.22	48.06
Book Value (USD) (Face Value at Rs.2/-)	0.38	0.41	0.44	0.49	0.55
Equity Capital	4.33	4.33	4.33	4.33	4.33
Borrowings (Short term)	17.76	9.01	11.45	11.17	15.16
(Long term)	-	-	-	-	3.83
Capital Employed	36.00	39.44	41.79	46.55	56.23
Gross Block	27.07	29.27	30.98	32.32	39.56
Net Block	15.41	16.03	15.44	14.99	20.05
Net Current & Other Assets	15.41	22.93	26.66	30.13	36.09

Notes:

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

2) Loans of USD 15.16 Mn (USD 11.17 Mn) are of short term in nature and have been treated as current liability and not included in capital employed.

3) Loans of USD 3.83 Mn (NIL) are of Long term in nature and have been treated as capital employed

## Financial Highlights (Rs. in Lacs)

	2005-06 (Mar-06)		2006-07 (Mar-07)		2007-08 (Mar-08)	
<b>Sales</b>	<b>2005-06</b>		<b>2006-07</b>		<b>2007-08</b>	
<b>Publishing Division</b>						
Educational Books	15,704		18,716		23,149	
Children's and General Books	1,147		1,269		1,188	
Children's and General Books Export	808	17,659	955	20,939	1,363	25,700
<b>Stationery Division</b>						
Exports (including incentives)	2,782		2,258		1,901	
Paper Stationery (Domestic)	8,240		8,272		10,751	
Non Paper Stationery (Domestic)	-	11,022	283	10,813	777	13,429
<b>Others</b>						
Manufacturing & Labour Charges		103	42			90
Trading		209	393			56
Power Generation Income		40	42			183
Media Charges		39	15			13
Scrap / Waste & Other Sales		366	431			572
		<u>29,439</u>	<u>32,676</u>			<u>40,043</u>

## Economic Value Added (EVA)

Economic Value Added means the profitability of a company after taking into account the cost of capital. It is the post-tax return on capital employed (adjusted for the tax shield on debt) less cost of capital employed. Companies which earn higher returns than cost of capital create value. Companies which earn lower returns than cost of capital are deemed destroyer of shareholder value.

	Rs. In Lac		
	Mar-06	Mar-07	Mar-08
Average Networth	17,870	19,435	21,769
Average Debt (Refer note 3 & 4)	-	-	843
Average Capital Employed	17,870	19,435	22,612
Beta Variant	0.56	0.51	0.73
Risk free Debt Cost (%)	8.50	8.50	8.50
Market Premium (%)	8.50	8.50	8.50
Cost of Equity (%)	13.29%	12.85%	14.68%
Cost of Debt (Post tax) (Note 3 & 4)	-	-	1.04%
Weighted Average Cost of Capital Employed	13.29%	12.85%	14.17%
<b>Cost of Capital Employed</b>	<b>2,375</b>	<b>2,497</b>	<b>3,204</b>
<b><u>EVA Calculation</u></b>			
Profit Before Tax	4,994	6,362	7,390
Add : Interst on long term capital	-	-	42
Profit Before Interest & Tax	4,994	6,362	7,432
Less : Other Income	228	144	506
Net Operating Profit Before Interest & Tax	4,766	6,218	6,926
Less : Tax	1,426	2,097	2,005
Net Operating Profit After Tax Before Interest	3,339	4,121	4,921
Less : cost of Capital	2,375	2,497	3,204
<b>EVA</b>	<b>965</b>	<b>1,624</b>	<b>1,717</b>
<b>EVA on capital employed (%)</b>	<b>5.40%</b>	<b>8.36%</b>	<b>7.59%</b>

**Note :**

1. Cost of equity calculated by using the following formula :  
return on risk free investment + expected risk premium on equity adjustment for our beta variant in India
2. Risk premium is assumed at 100% of risk-free return.
3. Secured and unsecured loans except ECB of Rs.1685 Lacs for windmill are for short term in nature, hence not considered in capital employed.
4. Interest & option premium payment, except Rs.42 Lacs for ECB, are for short term loan only, hence not added in profit to calculate operating profit for EVA calculation.

**NOTICE** is hereby given that the Twenty Second Annual General Meeting of Navneet Publications (India) Limited will be held on Thursday, 31<sup>st</sup> July, 2008 at 3:30 p.m. at Textile Committee Auditorium, Textile Committee Building, P. Balu Road, Near Tata Press, Prabhadevi Chowk, Mumbai – 400 025 to transact the following business:

**ORDINARY BUSINESS**

- 1) To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31<sup>st</sup> March 2008, the Balance Sheet as at that date and the Reports of Directors and Auditors thereon.
- 2) To confirm the payment of Interim Dividends on Equity Shares for the year ended 31<sup>st</sup> March 2008 as Final Dividend.
- 3) To appoint a Director in place of Shri. Dungarshi R. Gala, who retires by rotation, and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Shri. Jitendra L. Gala, who retires by rotation, and being eligible, offers himself for re-appointment.
- 5) To appoint a Director in place of Shri. Ashok M. Nadkarni, 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** in supersession of the earlier resolution passed at the Annual General Meeting held on 29<sup>th</sup> March 1995 and pursuant to Section 293(1)(d) and all other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors (“the Board”) of the Company for borrowing from time to time any sum or sum of money on such security and on such terms and conditions as the Board may deem fit for the purpose of

business of the Company notwithstanding that the money to be borrowed together with the money already borrowed by the Company (apart from temporary loans obtained or to be obtained from Company’s bankers in the ordinary course of business) may exceed, at any time the aggregate of the paid-up share capital and its free reserves, that is to say, reserves not set apart for any specific purpose, provided however, that the total amount so borrowed in excess of aggregate of the paid up share capital of the Company and its free reserves shall not at any time exceed Rs.400 Crores (Rupees Four Hundred Crores only).”

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

“**RESOLVED THAT** in supersession of the earlier resolution passed at the Annual General Meeting held on 29<sup>th</sup> March 1995 and pursuant to Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded under Section 293(1)(a) of the Companies Act, 1956 to the Board of Directors (“the Board”) to mortgage and/or charge in addition to the mortgage (s)/ charge(s) created by the Company, in such form and manner and at such time and on such terms as the Board may determine or think fit the whole or substantially the whole or any one or more of the Company’s undertakings or all its undertakings, including all or any part of the movable and/or immovable properties wherever situated both present and future in favour of the Company’s bankers/financial institutions/lenders within the overall ceiling prescribed by the members of the Company, in terms of Section 293 (1) (d) of the Companies Act, 1956.”

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

“**RESOLVED THAT** in supersession of the earlier resolution passed at the Annual General Meeting held on 9<sup>th</sup> February 2001 and pursuant to Section 293 (1)(e) and all other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company to contribute to any national, charitable

benevolent, public or other such funds, association or institutions not directly relating to the business of the Company or the welfare of its employees upto an amount Rs. 10 Crores (Rupees Ten Crores only) in any financial year notwithstanding that the said amount in any financial year may exceed five percent of the average net profits of the Company as determined in accordance with the provisions of Section 349 and 350 of the Companies Act, 1956 during the immediate preceeding three financial years.”

**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 the provisions of Sections 314 (1), 314 (1B) and all other applicable provisions, if any, of the Companies Act, 1956 and subject to such statutory approvals as may be required, consent of the Company be and is hereby accorded to hold an office or place of profit and to continue to hold an office or place of profit by Ms. Henal Gala as ‘Sr. Brand Executive’ in the Company at a remuneration of Rs. 12,650/- per month (including perquisites but not including annual benefits) with an authority to the Board of Directors to give at its discretion one or more increments of such amount at any time subject to maximum remuneration of Rs.1,00,000/- per month (including perquisites but not including annual benefits) and/or to redesignate/promote Ms.Henal Gala as it may deem fit and proper.”

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

“**RESOLVED THAT** pursuant to the provisions of Sections 314 (1), 314 (1B) and all other applicable provisions, if any, of the Companies Act, 1956 and subject to such statutory approvals as may be required, consent of the Company be and is hereby accorded to hold an office or place of profit and to continue to hold an office or place of profit by Mrs. Pooja Gala as ‘Executive Finance’ in the Company at a remuneration of Rs. 10,100/- per month (including perquisites but not including annual benefits) with an authority to the Board of Directors to give at its discretion

one or more increments of such amount at any time subject to maximum remuneration of Rs.1,00,000/- per month (including perquisites but not including annual benefits) and/or to redesignate/promote Mrs. Pooja Gala as it may deem fit and proper.”

**By Order of the Board of Directors**

sd/-

**Amit D. Buch**

**Company Secretary**

**Place :** Mumbai

**Date :** 27<sup>th</sup> June, 2008

**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] An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business at item nos.7 to 11 is annexed hereto.
- [C] The Register of Members and Share Transfer Books of the Company will remain closed from 25<sup>th</sup> July, 2008 to 31<sup>st</sup> July 2008 (both days inclusive).
- [D] 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 Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai – 400 078.
- [E] Pursuant to Section 205A of the Companies Act, 1956, all unclaimed/ unpaid dividends upto the financial year ended 30<sup>th</sup> September 1994 have been transferred to the General Revenue Account of the Central Government. Members who have not yet encashed their dividend warrant(s) upto the said period are requested to forward their claims to:-  
The Office of The Registrar of Companies  
Central Government Office Building, ‘A’ Wing,  
2<sup>nd</sup> Floor, Next to Reserve Bank of India  
CBD Belapur, Navi Mumbai – 400 614.
- [F] Pursuant to provisions of Section 205A and 205C of the

Companies Act, 1956, the amount of dividend remaining unclaimed as unpaid for a period of seven years from the date of transfer to the unpaid dividend account is required to be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government. Accordingly, unclaimed or unpaid dividend for the Financial Year 1999-2000 has been transferred to the IEPF. Unclaimed dividend for the financial years 2000-2001 and thereafter, is still lying in the respective unpaid dividend accounts of the Company. Members who have not encashed the dividend warrants for the financial years 2000-2001 and thereafter, are requested to contact Company's Registrar and Transfer Agent – M/s.Intime Spectrum Registry Limited.

Unclaimed dividend for 2000-2001 is due for transfer to IEPF in April, 2009. Kindly note that no claim shall lie against the Company or IEPF after such transfer.

- [G] 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.
- [H] Members desiring any information, as regards the Annual Accounts are requested to write to the Company atleast seven days before the date of Annual General Meeting to enable the Management to keep the information ready.
- [I] 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.
- [J] Members holding the shares in Physical form, desirous of receiving all the future Dividend amounts directly by way of ECS are requested to communicate their intention to the Registrar and Transfer Agent of the Company with full bank account details.
- [k] Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the Annual General Meeting.

Brief profiles of Directors to be re-appointed as required by Clause 49 of the Listing Agreement :

Name of Director	Date of Birth	Date of Appointment	Experience in specific Functional Area	Qualification	Directorship held in Other Public Companies	Committee position held in other Companies	Equity Shares held
Shri Dungalshi R. Gala	31/03/1936	30/04/1993	He has a wide experience in the field of Educational Book Publishing.	S.S.C.	NIL	NIL	22,720
Shri Jitendra L. Gala	14/01/1942	30/05/1992	He has a wide experience in the field of marketing.	B.Com.	NIL	NIL	99,970
Shri Ashok M. Nadkarni	31/01/1933	28/01/2002	He is a senior ex-banker with vast experience of 40 years in the field of banking and corporate finance	B.A. (Hons.)	NIL	NIL	NIL

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

**Item No. 7 & 8**

As per the provisions of Section 293(1) (d) of the Companies Act, 1956, the Board of Directors is empowered to borrow money upto an aggregate limit of paid up capital and free reserves, that is to say, reserves not set apart for any specific purpose without obtaining the consent of the members. The members at the Annual General Meeting held on 29<sup>th</sup> March, 1995 had accorded their consent to the Board of Directors to borrow upto Rs. 100 Crores over and above the then aggregate paid up capital and free reserves of the Company under Section 293 (1)(d) of the Companies Act, 1956 and also to create charge/mortgage on all or any of the movable or immovable properties/ undertakings of the Company under Section 293(1)(a) of the Companies Act, 1956.

Taking into consideration the Company's financial requirements, it would be appropriate to increase the borrowing limits under Section 293(1)(d) of the Companies Act, 1956 from Rs. 100 Crores to Rs. 400 Crores. Further, the Company may be required to secure some of the borrowings by mortgage/charged on all or any of the movable or immovable properties of the Company



in such form, manner and such time as may be decided by the Board of Directors.

The resolutions are enabling resolutions to revise the borrowing powers of the Board of Directors of the Company and to create charge/mortgage on Company's properties/undertakings as mentioned in the resolutions at item nos. 7 & 8 of the notice.

Your Directors recommend the resolutions as set out in item nos.7 & 8 of the accompanying notice for the approval of the members to be passed as Ordinary Resolutions.

None of the Directors of the Company is, in any way, concerned or interested in the said resolutions.

#### **Item No. 9**

The members had at the Annual General Meeting of the Company held on 9<sup>th</sup> February,2001 given their consent to the Board of Directors to contribute towards charitable and other funds not directly relating to the business of the Company or the welfare of its employees upto Rs.4 Crores in any financial year. The Company envisages higher contribution for any financial year to any charitable or other funds not directly relating to the business of the Company or the welfare of its employees as a Corporate Social Responsibility.

In view of the above, it is proposed to increase the existing permitted limit of contribution to charitable and other funds from Rs.4 Crores to Rs.10 Crores.

As per Section 293(1)(e) of the Companies Act, 1956, the maximum limit upto which contribution can be made in any financial year to any charitable or other funds not directly relating to the business of the Company or the welfare of its employees is Rs. 50,000/- or 5% of the Company's average net profits as determined in accordance with the provisions of Section 349 and 350 of the Companies Act,1956 during the immediate preceding three financial years, whichever is higher.

Section 293(1)(e) of the Companies Act,1956 permits contribution in excess of these limits with the consent of the members.

Your Directors, therefore, recommend the resolution as set out in item no. 9 of the accompanying notice for the approval of the members to be passed as an Ordinary Resolution.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

#### **Item Nos. 10 & 11**

As per the provisions of Section 314(1) and 314 (1B) of the Companies Act,1956, approval of the members by way of a special resolution is required for any relative of a Director to hold and continue to hold an office or place of profit carrying a monthly remuneration of such sum as prescribed under Section 314(1) and 314 (1B) of the Companies Act, 1956.

Ms. Henal Gala and Mrs. Pooja Gala have been working as 'Sr. Brand Executive' and as 'Executive Finance' respectively in the Company and are related to Mr. Dungarshi R. Gala, Director and Mr. Amarchand R. Gala, Managing Director respectively. As Ms. Henal Gala and Mrs. Pooja Gala are related to Director and Managing Director respectively, for paying/ continue to pay them the remuneration as mentioned in their respective resolution, consent of the members of the Company under Section 314(1), 314 (1B) of the Companies Act,1956 and approval from statutory authorities would be required.

Your Directors, therefore, recommend the resolutions as set out in item nos. 10 & 11 of the accompanying notice for the approval of the members to be passed as Special Resolutions.

None of the Directors of the Company except Mr. Dungarshi R. Gala and Mr. Amarchand R. Gala, being related to Ms. Henal Gala and Mrs. Pooja Gala respectively is, in any way, concerned or interested in the said resolutions.

**By Order of the Board of Directors**

sd/-

**Place :** Mumbai  
**Date :** 27<sup>th</sup> June, 2008

**Amit D. Buch**  
**Company Secretary**

Dear Shareowners,

Your Directors have pleasure in presenting their Twenty Second Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2008.

## (1) FINANCIAL RESULTS:

Particulars	(Rs. in Lac)	
	Current Year	Previous Year
(a) Profit before interest, Depreciation and Tax	8697	7355
(b) Less : Interest	285	162
(c) Profit before Depreciation and Tax	8412	7193
(d) Less : Depreciation	1022	831
(e) Profit before Tax	7390	6362
(f) Less : (i) Provision for Tax (including FBT)	2011	2146
(ii) Provision for deferred tax	(6)	(49)
(iii) (Add) / Less : Provision of tax for earlier years	8	2
(g) Profit after Tax	5377	4263
(h) Balance brought forward from last year	9571	8480
<b>(i) Profit available for Appropriation</b>	<b>14948</b>	<b>12743</b>
<b>APPROPRIATIONS :</b>		
(a) 1st Interim Dividend	1525	1143
2nd Interim Dividend	762	762
(b) Corporate tax on Dividend	389	267
(c) General Reserve	1000	1000
<b>(d) Balance Carried to Balance Sheet</b>	<b>11272</b>	<b>9571</b>
	<b>14948</b>	<b>12743</b>

**(2) DIVIDEND :**

Your Directors had declared and paid First Interim Dividend of Rs. 1.60 (80%) per share and Second Interim Dividend of Re.0.80 (40%) per share on face value of Rs. 2/- per share during the year under review. Thus, the total dividend paid for the year under review is Rs. 2.40 per share on face value of Rs. 2/- per share. The dividend pay-out for the year works out to 49.76%(including dividend distribution tax) as against your Company's policy of distribution of minimum of 25%. In view of this, the Board Of Directors do not recommend any final dividend for the year under review.

**(3) OPERATIONS :**

- (i) Sales and Income from the operations of the Company increased from Rs. 32676 Lac to Rs. 40043 Lac.
- (ii) Profit before depreciation and taxes for the year under review stood at Rs.8412 Lac as against Rs. 7193 Lac in the previous year.
- (iii) After providing Rs.1022 Lac and Rs.2013 Lac for depreciation and tax respectively, profit after tax stood at Rs.5377 Lac as against Rs. 4263 Lac achieved in the previous year.

**(4) PERFORMANCE OF DIVISIONS :****Book Publishing Division**

During the year under review, the book publishing division grew by 23% and achieved turnover of Rs. 26208 Lac as against Rs. 21319 Lac in the previous year. This growth is mainly on account of major standard syllabus change in the State of Maharashtra and Gujarat. Since, there are no major standard syllabus change in the current year, your Company may not see the same growth in the current year.

Your Company has initiated its e-learning venture in the State of Gujarat and Maharashtra. The initial response is both encouraging and promising but the Company still believes that

e-learning venture will have challenging phase in near future till the time these concepts are adopted by the teaching and learning community particularly in the class of population that Company deals with.

**Stationery Division**

Paper Stationery Division produces a variety of paper stationery products mainly for the student community. The stationery business grew by 35% during the year under review. This growth was achieved due to aggressive marketing plans and introduction of new range of non - paper stationery products. Your Company expects domestic stationery business to grow at 30% in the current year with continued aggressive marketing plans.

As expected, during the year under review, Company's international stationery business registered lower turnover of Rs. 1901 Lac. However, your Directors are pleased to inform you that in the current year the Company has received encouraging inquiries for international stationery business due to reduced competition from neighbouring countries and therefore expects about 50% growth in this business in the current year.

The stationery division turnover grew by 25% to Rs.13595 Lac.

**(5) WINDMILL PROJECT:**

During the year under review, all the windmills were made operational. The Company accounted gross revenue of Rs. 144 Lac during the year under review and expects yearly gross revenue of about Rs.350 Lac from windmill project henceforth.

**(6) CORPORATE GOVERNANCE :**

Your Company has complied with Clause 49 of the Listing Agreement entered with the Stock Exchanges. A report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement alongwith the Auditor's Certificate on compliance with the Corporate Governance forms part of the Annual Report.

### **(7) MANAGEMENT DISCUSSION AND ANALYSIS :**

As per Clause 49 of the Listing Agreement, Management Discussion and Analysis report forms part of this Annual Report.

### **(8) SUBSIDIARY COMPANY :**

The members would be aware that the Company has set up its Wholly Owned Subsidiary Company in Spain viz. Grafalco Ediciones S.L. This subsidiary Company is in the business of publishing Children's Books in Spanish and other European languages which has good demand in USA, where Spanish is the second official language.

The financial statements of the Wholly Owned Subsidiary Company forms part of this Annual Report as a separate section and the same has been included in the Consolidated Financial Statement as required by the Accounting Standard and Listing Agreement with the Stock Exchanges.

### **(9) NETWORTH AND BORROWING :**

Net worth of your Company increased from Rs. 20483 Lac to Rs. 23054 Lac. Your Company borrowed ECB of Rs.1685 Lac to fund its windmill power project and outstanding as at balance sheet date which is classified as long term debt. Further, your Company utilises the credit facilities from the banks and other short term finances for its working capital requirements only.

### **(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) DIRECTORS :**

As per the provisions of the Companies Act, 1956 and Articles of Association of the Company, Shri Dungalshi R. Gala, Shri Jitendra L. Gala and Shri Ashok M. Nadkarni retire by rotation at the ensuing Annual General Meeting and being eligible, offer

themselves for re-appointment.

Brief profiles of these Directors as required by Clause 49 of the Listing Agreement relating to Corporate Governance are given in the notes to the notice convening this Annual General Meeting.

### **(12) CORPORATE SOCIAL RESPONSIBILITY :**

Your Company continues to use eco friendly paper for majority of its products catering to environmental needs. Moreover, your Company donates around 5 to 10% of its net earnings mainly for the social causes such as education, rehabilitation and medical aid. For the year under review, your Company donated Rs.353 Lac for rehabilitation and medical help. The management will continue to discharge its voluntary commitment to society year on year.

### **(13) CEO & CFO CERTIFICATE :**

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

### **(14) DE-MATERIALISATION OF SHARES :**

9,17,93,770 Equity Shares representing 96.33% of paid up equity share capital were de-materialised as on 20<sup>th</sup> June, 2008.

### **(15) FIXED DEPOSITS :**

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

### **(16) CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :**

The information as required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of

Particulars in the Report of Directors) Rules, 1988 is given in Annexure 'A' forming part of this Report.

### (17) PARTICULARS OF EMPLOYEES :

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, this Report and Accounts are being sent to all members of the Company excluding the Statement of Particulars of Employees under Section 217(2A) of the Companies Act, 1956. Any member interested in obtaining a copy of said statement may write to Company Secretary at the Registered Office of the Company.

### (18) DIRECTORS' RESPONSIBILITY 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 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.

### (19) 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 the limits prescribed under Section 224(1B) of the Companies Act, 1956.

### (20) INDUSTRIAL RELATIONS :

During the year under review, cordial and harmonious relationship continued between the management and employees at all levels.

### (21) ACKNOWLEDGEMENT :

Your Directors wish to thank and express their grateful appreciation for the co-operation, support, trust and guidance received from bankers, financial institutions, shareholders, vendors, customers, regulatory and government authorities in the State of Maharashtra & Gujarat and society at large and look forward to their continued support.

Your Directors also take on record their appreciation for the contribution, hard work and commitment of employees at all levels which enabled the Company to remain at forefront of the industry despite the severe competition.

On behalf of the Board of Directors  
sd/-

Place : Mumbai

Date : 27<sup>th</sup> June, 2008

**Shivji K. Vikamsey**

Chairman



## 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

#### 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

- |                                               |   |                                                   |
|-----------------------------------------------|---|---------------------------------------------------|
| (i) Technologies Imported                     | } | None, The Company has not imported any Technology |
| (ii) Year of Import                           |   |                                                   |
| (iii) Has the technology been fully absorbed? |   |                                                   |

#### (C) Foreign Exchange Earnings and Outgo

The Company's export turnover has been Rs.2906 Lac.

Total Foreign Exchange earned and used:

- |                               |             |
|-------------------------------|-------------|
| (i) Foreign Exchange earned : | Rs.2906 Lac |
| (ii) Foreign Exchange used :  | Rs.912 Lac  |

On behalf of the Board of Directors

sd/-

Place :Mumbai

Date : 27<sup>th</sup> June, 2008

**Shivji K. Vikamsey**

Chairman

Statement pursuant to Section 212 of the Companies Act, 1956, relating to the Subsidiary Company for the year ended 31<sup>st</sup> March 2008

1)	Name of the Subsidiary Company	Grafalco Ediciones S.L.
2)	Financial Year of the Subsidiary Company	31 <sup>st</sup> December 2007
3)	No. of Shares held in Subsidiary Company as on the above date	5,03,600 Equity Shares @ Euro1 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 31 <sup>st</sup> December 2007	NIL
	b) Not Dealt with in the Accounts of the Company for the year ended 31 <sup>st</sup> December 2007	Rs.4133532/-
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 31 <sup>st</sup> December 2007	NIL
	b) Not Dealt with in the Accounts of the Company for the year ended 31 <sup>st</sup> December 2007	Rs.4133532/-
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 31 <sup>st</sup> December 2007.	NIL
9)	Material changes between the end of the Financial Year of the Subsidiary Company and the Company's Financial Year ended 31 <sup>st</sup> March 2008	NIL

sd/-

sd/-

For and on behalf of the Board

sd/-

Mumbai : 27<sup>th</sup> June, 2008

**Amit D. Buch**  
Company Secretary

**Amarchand R. Gala**  
Managing Director

**Shivji K. Vikamsey**  
Chairman

To The Members of Navneet Publications (India) Limited,

We have audited the attached Balance Sheet of NAVNEET PUBLICATIONS (INDIA) LIMITED, as at 31st March 2008, the Profit and Loss Account and the Cash Flow Statement of the Company period 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 the 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 of our opinion.

Attention is invited to note no. 3(d) of schedule P forming part of accounts.

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 enclosed 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 in para (1) 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 the 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, is in compliance with the Accounting Standards specified by the institute of Chartered Accountants of India, referred to in sub-section (3C) of section 211 of the Companies Act, 1956; to the extent applicable to the Company.
- 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 are disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- 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 2008;
  - ii. In the case of the Profit and Loss account, of the profit for the year ended on that date; and
  - iii. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Place : Mumbai  
Date : 27th June, 2008

For **Ghalla & Bhansali**  
Chartered Accountants  
sd/-  
**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, 2008 of Navneet Publications (India) Limited)

1.
  - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of 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 not 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) (e) (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 the following.

Name of the Staute	Name of Dues	Amount (In Lacs) Rs.	Forum where disputes is Pending
I.T. Act, 1961	Assmt. Dues A.Y. 98-99	7.62	I.T.A.T.
I.T. Act, 1961	Assmt. Dues A.Y. 00-01	26.08	I.T.A.T.
I.T. Act, 1961	Assmt. Dues A.Y. 01-02	96.15	I.T.A.T.
I.T. Act, 1961	Assmt. Dues A.Y. 03-04	53.33	I.T.A.T.
I.T. Act, 1961	Assmt. Dues A.Y. 04-05	16.17	C.I.T. (Appeals)

10. The Company has neither accumulated losses as at March 31, 2008, 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. The Company has given guarantee for loans taken by others from banks and in our opinion, the terms and conditions of such guarantee are not, prima facie, prejudicial to the interest of the Company.
16. The Company has obtained term loan during the year, and in our opinion and according to the information and explanations given to us, the term loan obtained are applied for the purpose for which the loans are obtained.
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 charged 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.

Place : Mumbai  
Date : 27th June, 2008

For **Ghalla & Bhansali**  
Chartered Accountants  
**Haresh K.Chheda**  
Partner  
Membership No. 38262



# Balance Sheet

## NAVNEET PUBLICATIONS (INDIA) LIMITED

	Schedule	Rs. In Lacs	As at 31st March, 2008 Rs. In Lacs	As at 31st March, 2007 Rs. In Lacs
<b>Sources of Funds</b>				
Shareholders' Funds				
Share Capital	A	1,906		1,906
Reserves & Surplus	B	<u>21,148</u>		<u>18,577</u>
			23,054	20,483
<b>Loan Funds</b>				
Secured Loans	C	3,856		2,913
Unsecured Loans	D	<u>4,500</u>		<u>2,000</u>
			8,356	4,913
Deferred Tax Liability			314	386
<b>Total Funds Employed</b>			<u>31,724</u>	<u>25,782</u>
Application of Funds				
Fixed Assets				
Gross Block		17,408		14,219
Less: Depreciation	E	<u>8,587</u>		<u>7,624</u>
Net Block		8,821		6,595
Capital Work-in-Progress		<u>83</u>		<u>44</u>
			8,904	6,639
<b>Investments</b>				
Current Assets, Loans and Advances	F		270	970
Inventories	G	16,798		12,557
Sundry Debtors		5,411		4,057
Cash and Bank Balances		424		479
Loans and Advances		<u>2,802</u>		<u>2,562</u>
		25,435		19,654
Less: Current Liabilities and Provisions	H			
Current Liabilities		2,659		1,372
Provisions		<u>226</u>		<u>110</u>
		2,885		1,482
Net Current Assets			22,550	18,172
<b>Total Funds Utilised</b>			<u>31,724</u>	<u>25,782</u>
Significant Accounting Policies and Notes on Accounts	P			
Schedule referred to above form an integral part of the accounts				

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

sd/-  
**Haresh K. Chheda**  
Partner  
Mumbai : 27th June, 2008

sd/-  
**Amit D. Buch**  
Company Secretary

sd/-  
**A. R. Gala**  
Managing Director

sd/-  
**S. K. Vikamsey**  
Chairman

# Profit and Loss Account

**NAVNEET PUBLICATIONS (INDIA) LIMITED**

	Schedule	2007 -2008	2006 -2007
		Rs. In Lacs	Rs. In Lacs
<b>Income</b>			
Income from Operations		40,043	32,676
Other Income	I	506	144
		<u>40,549</u>	<u>32,820</u>
<b>Expenditure</b>			
(Increase)/Decrease in stocks	J	(1,442)	(1,697)
Cost of Materials	K	21,340	18,226
Manufacturing Expenses	L	2,321	1,843
Salaries, Wages & Employee Benefits	M	2,981	2,611
Administrative and Selling Expenses	N	6,651	4,484
Interest	O	285	162
		<u>32,137</u>	<u>25,628</u>
Profit before Depreciation and Tax		8,412	7,193
Depreciation	E	1,022	831
Profit before Tax		7,390	6,362
Less : Provision for Taxation -Current		1,950	2,063
- Fringe Benefit Tax		61	83
- Defered tax		(6)	(49)
Add/(Less) : Excess/(Short) Provision of Earlier Year W/off/Back		8	2
Profit after Tax		5,377	4,263
Add : Balance brought forward from last year		9,571	8,480
Profit available for Appropriation		<u>14,948</u>	<u>12,743</u>
<b>Appropriations</b>			
Dividend (First interim)		1,525	1,143
Dividend (Second interim)		762	762
		<u>2,287</u>	<u>1,905</u>
Corporate Tax on Dividend		389	267
General Reserve		1,000	1,000
		<u>3,676</u>	<u>3,172</u>
Surplus carried to Balance Sheet		<u>11,272</u>	<u>9,571</u>
<b>Basic and Diluted Earning per share of Rs. 2/- each</b> [Refer Note 20 of Schedule 'P']			
Before Extraordinary Items		5.64	4.47
After Extraordinary Items		5.64	4.47
Significant Accounting Policies and Notes on Accounts	P		

Schedule referred to above form an integral part of the accounts

As per our report of even date attached hereto

For and on behalf of :

**Ghalla & Bhansali**

Chartered Accountants

sd/-  
**Haresh K. Chheda**

Partner

Mumbai : 27th June, 2008

sd/-  
**Amit D. Buch**  
Company Secretary

sd/-  
**A. R. Gala**  
Managing Director

sd/-  
**S. K. Vikamsey**  
Chairman

For and on behalf of the Board

## Schedules forming part of the Balance Sheet

## NAVNEET PUBLICATIONS (INDIA) LIMITED

		As at 31st March, 2008	As at 31st March, 2007
	Rs. In Lacs	Rs. In Lacs	Rs. In Lacs
<b>SCHEDULE A : SHARE CAPITAL</b>			
Authorised :			
10,00,00,000 (10,00,00,000) Equity Shares of Rs.2/- each (Rs. 2/- each)		2,000	2,000
Issued, Subscribed & Paid Up :			
9,52,86,000 (9,52,86,000) Equity Shares of Rs.2/- each (Rs. 2/- each)		1,906	1,906
Total		1,906	1,906
Note :			
(1) Of the above 6,35,24,000 (6,35,24,000) Shares were allotted as fully paid-up Bonus Shares by Capitalisation of Share Premium and General Reserve.			
<b>SCHEDULE B : RESERVES &amp; SURPLUS</b>			
<b>Capital Reserve</b>			
As per last Balance Sheet		0	0
<b>General Reserve</b>			
As per last Balance Sheet	9,000		8,000
Less : Change on account of transitional provisions under Accounting Standard 15 (Revised 2005)			
Gratuity (net of tax Rs. 35 Lacs)	(69)		
Leave Encashment (net of tax Rs. 31 Lacs)	(59)		
Add : Set aside this Year	1,000		1,000
		9,872	9,000
Foreign currency Translation Reserve		3	6
<b>Surplus as per Profit and Loss Account</b>		11,272	9,571
Total		21,148	18,577

## Schedules forming part of the Balance Sheet

NAVNEET PUBLICATIONS (INDIA) LIMITED

		As at 31st March, 2008	As at 31st March, 2007
	Rs. In Lacs	Rs. In Lacs	Rs In Lacs
<b>SCHEDULE C : SECURED LOANS</b>			
Loans from Banks :			
LONG TERM :			
- Foreign Currency Loans - Windmill	1,685		-
SHORT TERM :			
Working Capital Borrowings :			
- Local Currency Loans	970		256
- Foreign Currency Loan	1,200		2,656
- Other loans	-		1
<b>Total</b>		<u>3,856</u>	<u>2,913</u>
<b>Notes :</b>		<u><u>3,856</u></u>	<u><u>2,913</u></u>

- (a) All long and short term Rupee loans and foreign currency loans equivalent to Rs. 3,856/- Lacs (Previous year Rs. 2,912/- 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

Working Capital Demand Loan	4,500	2,000
<b>Total</b>	<u>4,500</u>	<u>2,000</u>

## Schedules forming part of the Balance Sheet

NAVNEET PUBLICATIONS (INDIA) LIMITED

### SCHEDULE E : FIXED ASSETS

Rs. In Lacs

Sr. No.	Description of Assets	Gross Block			Depreciation / Amortization				Net Block		
		Cost As on 31.03.2007	Additions during the year	Deduction/ Adjustment	Cost As on 31.03.2008	Provided upto 31.03.2007	For the Year	Deductions/ Adjustment	Total upto 31.03.2008	As on 31.03.2007	As on 31.03.2007
	<b>Tangible</b>										
1	Land - Freehold	340	0	0	340	0	0	0	0	340	340
2	Land - Leasehold	84	0	0	84	19	6	0	26	58	64
3	Building	3,778	150	5	3,922	1,314	163	2	1,475	2,448	2,464
4	Plant & Machinery	7,937	2,863	16	10,784	4,903	674	14	5,562	5,223	3,035
5	Office Equipment	197	15	2	210	118	13	2	130	80	79
6	Furniture & Fixtures	975	20	0	996	625	67	0	692	304	350
7	Vehicles	628	203	46	784	411	85	41	455	329	217
	<b>Intangible</b>										
8	Trade Mark	57	0	0	57	11	6	0	17	40	46
9	SAP	190	0	0	190	190	0	0	190	0	0
10	Software	33	8	0	41	33	8	0	41	0	0
	<b>Total</b>	<b>14,219</b>	<b>3,259</b>	<b>69</b>	<b>17,408</b>	<b>7,624</b>	<b>1,022</b>	<b>59</b>	<b>8,587</b>	<b>8,821</b>	<b>6,595</b>
	Previous Year	13,632	649	62	14,219	6,839	831	46	7,624	6,595	



# Schedules forming part of the Balance Sheet

		As at 31st March, 2008	As at 31st March, 2007
	Rs. In Lacs	Rs. In Lacs	Rs. In Lacs
<b>SCHEDULE F : INVESTMENTS</b>			
Long Term-Non Trade			
Other Investments			
Unquoted			
In Subsidiary			
Grafalco Ediciones S.L.	270		270
— 5,03,600 Equity Shares of Euro 1/- each.	_____		_____
		270	270
Current Investments			
Mutual Funds			
Units of Rs. 10/- each fully paid up			
— (3984190.881) UTI Money Market Fund	-		700
	_____		_____
			700
Note :			
Repurchase value of Quoted Mutual Fund Rs. NIL			
(Previous Year Rs. 700Lacs)			
Aggregate Book Value of Investments : Total		270	970
		=====	=====

## Schedules forming part of the Balance Sheet

**NAVNEET PUBLICATIONS (INDIA) LIMITED**

		As at 31st March, 2008	As at 31st March, 2007
	Rs. In Lacs	Rs. In Lacs	Rs. In Lacs
<b>SCHEDULE G : CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Current Assets			
Inventories			
Stores, Spares and Consumables	377		290
Raw Materials	6,395		3,683
Finished Goods	8,977		7,990
Work In Process	<u>1,048</u>		<u>593</u>
		16,798	<u>12,557</u>
Sundry Debtors (Unsecured, considered good)			
Over six months	316		497
Others	<u>5,095</u>		<u>3,560</u>
		5,411	4,057
Cash and Bank Balances			
Cash on hand			
	30		23
Balance with Scheduled Banks			
- In Current Account	256		334
- In Fixed Deposit Account	1		1
- In Dividend Account	<u>136</u>		<u>120</u>
		424	<u>479</u>
Loans and Advances (Unsecured, considered good)			
Loans			
- Staff Loan	172		161
- Corporate Deposits	165		5
- Loans to subsidiary	290		88
- Other Deposits	<u>157</u>		<u>158</u>
	784		<u>412</u>

## Schedules forming part of the Balance Sheet

## NAVNEET PUBLICATIONS (INDIA) LIMITED

### SCHEDULE G : CURRENT ASSETS, LOANS & ADVANCES (Cont.)

#### Advances

Advances Recoverable in Cash or in Kind or

for value to be received

1313

890

Deposits with Public Bodies, Govt., etc.

52

45

Deposits with Others

33

748

Advance Tax paid (Net)

620

467

2,018

2,150

2,802

2,562

25435

19,654

Total

### SCHEDULE H : CURRENT LIABILITIES AND PROVISIONS

#### Current Liabilities

Sundry Creditors

1,566

649

Advances Received from customers

173

73

Investors Education and Protection Fund to be credited as and when due

- Unclaimed Dividend

136

120

Other Liabilities

760

525

Interest Accrued But Not Due

24

5

2,659

1,372

#### Provisions

For Leave Encashment Benefit

226

110

226

110

2,885

1,482

Total

## Schedules forming part of the Profit & Loss Account

## NAVNEET PUBLICATIONS (INDIA) LIMITED

For the year ended  
31st March, 2008

For the year ended  
31st March, 2007

	Rs. In Lacs	Rs. In Lacs	Rs. In Lacs
<b>SCHEDULE I : OTHER INCOME</b>			
On Current Investments (Gross)			
Dividend		43	42
Profit on Sale of Investments		6	2
Miscellaneous Income		29	(7)
Interest and Financial Income [TDS Rs.62.38 Lacs; (Previous year Rs.15.97 Lacs)]		428	107
Total		<u>506</u>	<u>144</u>
<b>SCHEDULE J : (INCREASE) / DECREASE IN STOCK</b>			
Closing Stock			
Work in Process	1,048		593
Finished Goods	<u>8,977</u>		<u>7,990</u>
		10,025	8,583
Opening Stock			
Work in Process	593		586
Finished Goods	<u>7,990</u>		<u>6,300</u>
Total		<u>8,583</u>	<u>6,886</u>
		(1,442)	(1,697)
<b>SCHEDULE K : COST OF MATERIAL</b>			
Raw Materials Consumed		20,226	16,816
Freight and Octroi		455	362
Purchase of Goods		659	<u>1,047</u>
Total		<u>21,340</u>	<u>18,226</u>
<b>SCHEDULE L : MANUFACTURING EXPENSES</b>			
Printing Expenses		632	529
Binding Expenses		395	304
Other Manufacturing Expenses		799	592
Power and Fuel		218	183
Stores and Spares Consumed		155	154
Repairs to Plant and Machinery		123	80
Total		<u>2,321</u>	<u>1,843</u>

## Schedules forming part of the Profit & Loss Account

### NAVNEET PUBLICATIONS (INDIA) LIMITED

For the year ended  
31st March, 2008

For the year ended  
31st March, 2007

#### **SCHEDULE M : SALARIES, WAGES & EMPLOYEE BENEFITS**

	Rs. In Lacs	Rs. In Lacs
Salaries, Wages and Bonus	2,525	2,203
Contribution to Provident and Other Funds	259	246
Staff Welfare	197	162
Total	<u>2,981</u>	<u>2,611</u>

#### **SCHEDULE N : ADMINISTRATIVE & SELLING EXPENSES**

Rates & Taxes	217	172
VAT / Sales TAX	502	381
Rent	208	168
Royalty	866	708
Building Repairs & Maintenance	182	107
Other Repairs	109	71
Insurance	78	78
Transportation Expenses	619	508
Commission	60	40
Advertisement	585	214
Marketing Expenses	589	482
Sales Promotion Expenses	476	227
Discount & Rebate	256	212
Bad debts and other irrecoverable advance written off	270	11
Donation	353	84
Bank Charges	95	47
Prior Period items	(2)	(1)
Other Expenses	1,189	973
Total	<u>6,651</u>	<u>4,484</u>

#### **SCHEDULE O : INTEREST & FINANCIAL CHARGES**

Debentures	100	61
Others	185	101
Total	<u>285</u>	<u>162</u>

For the year ended 31st March, 2008

**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) Revenue Recognition**

Sales are recognised on transfer of significant risks and rewards in connection with the ownership at the time of dispatch of goods. sales are recorded net of trade discounts and rebates.

**(C) Fixed Assets**

Fixed Assets are stated at cost less accumulated depreciation and impairment loss if any. Cost comprises of the purchase price and all other attributable costs for bringing the asset to its working condition for its intended use.

**(D) 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 instalments.
- (v) Cost of Softwares is charged to Profit & Loss account in the year of acquisition.

**(E) 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.

**(F) Foreign Currency Transactions & Financial Instruments**

- (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. Financial derivatives are accounted on the basis of their settlement and the resultant realized gain/loss on settlement is recognized in the profit and loss account.



For the year ended 31st March, 2008

- (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.
- (vi) Exchange difference arising on a monetary item that, in substance, forms part of an enterprise's net investments in a non-integral foreign operation are accumulated in a foreign currency translation reserve.

**(G) 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.

**(H) Retirement Benefits**

- (i) Contribution to the provident fund, which is a defined contribution scheme, are charged to the Profit and Loss Account in the period in which the liability is incurred.
- (ii) Provision for gratuity, which is a defined benefit plan, is made on the basis of an actuarial valuation carried out by an independent actuary at the balance sheet date and funded through scheme administered by the Life Insurance Corporation of India ('LIC').

The actuarial valuation is done using the 'Project Unit Credit Method'.

- (iii) Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the balance sheet date based on an actuarial valuation carried out by an independent actuary.

**(I) Investments**

Long-term Investments are stated at cost after deducting

provision, if any, for permanent diminution in the value. Current Investments are stated at lower of cost and market / fair value.

**(J) 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 be put to use.

**(K) Leased Assets**

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

**(L) Provision for Tax**

Tax expense comprises of current, deferred and fringe benefit tax.

Provision for current tax is determined on the basis of estimated taxable income for the period as per the provisions of Income Tax act, 1961.

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 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.

Fringe benefit tax is provided in accordance with the provisions of the Income Tax act, 1961.

- 2 Estimated amount of Capital Contracts (net of advances) remaining to be executed and not provided for Rs. 574.05 Lacs (Previous Year Rs.6.08 Lacs)

**3 Contingent Liability**

- (a) For disputed Income-tax matters Rs.587.90 Lacs (Previous Year Rs.585.07 Lacs) against which amount paid is Rs.487.98 Lacs (Previous Year Rs.486.95 Lacs)

## For the year ended 31st March, 2008

## (b) Against Bond

- (i) Rs.380.61 Lac (Previous Year Rs.380.61 lacs) : For fulfilment of export obligation of US \$ 26.70 Lac equivalent to Rs.1058.30 Lac, (Previous Year Rs.1150.14 lacs) for import of machinery against licence 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.
- (ii) Rs.2020 lac (Previous Year Rs.3300 lac) : For purchase of excisable inputs without payment of duty under bond to manufacture goods meant for exports. The Company has already fulfilled obligation upto Rs.1936.60 lac (Previous Year Rs.3238.19 lac) till the end of the year.
- (c) Forward foreign exchange contracts of USD 3 Mn equivalent Rs.12.01 cr. and EUR 2.15 Mn equivalent Rs.12.95 cr. (Previous Year USD 4.5 Mn equivalent Rs.20.45 cr. and Eur 0.32 Mn equivalent Rs. 1.83 cr.) are open as on balance sheet date.
- (d) USD 11.27 Mn worth of derivative contracts were open on balance sheet date for sale of USD, hedging Company's receivables in foreign currency over a period up to five years. Premium, if any, would be payable only in fourth and fifth year of the contracts. Considering the long tenure of the contracts and the volatility in the forex market, the company is not able to reasonably assess its fair value and its implications as on balance sheet date and hence, provision, if any, has not been made in books of account towards these contracts.

The company has entered into derivative option contracts hedging its exposure on ECB availed for wind power generation project. Option contracts worth of JPY 504-Mn are open as on balance sheet date, maturing over a period of seven years. The company has reasonable hedge against its ECB borrowing.

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

	2007-2008	2006-2007
	Rs. In Lacs	Rs. In Lacs
(i) Salary and Bonus	179	178
(ii) Contribution to Provident Fund	13	13
<b>Total</b>	<u>191</u>	<u>190</u>
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	7,390	6,362
Add : Expenses not to be considered as per Section 349		
Directors' Remuneration	191	190
Directors' Fees	2	2
Loss on Sale of Fixed Assets	0	10
Loss on Sale of Investments	0	0
	<u>193</u>	<u>202</u>
	<u>7,583</u>	<u>6,564</u>
Less :		
Income not to be considered	9	0
Profit on Sale of Fixed Assets	6	2
Profit on Sale of Investments	15	2
	<u>7,568</u>	<u>6,562</u>
Net Profit computed as per Section 349 of Companies Act, 1956 :		

## Notes forming part of the Accounts

## NAVNEET PUBLICATIONS (INDIA) LIMITED

For the year ended 31st March, 2008

2006-2007  
Rs. In Lacs

2007-2006  
Rs. In Lacs

6. Auditors' Remuneration

Audit Fees

5

4

Tax Audit Fees

1

1

Other Matters

5

6

11

11

**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 :

7,983

(6,288)

(ii) Trading Stock

8

(11)

(iii) Work In Process

593

(586)

**Total**

**8,583**

**(6,886)**

(b) **Closing Stock :**

(i) Finished Goods

8,967

(7,983)

(ii) Trading Stock

10

(8)

(iii) Work In Process

1,048

(593)

**Total**

**10,025**

**(8,583)**

For the year ended 31st March, 2008

	Quantity in Lacs	Value (Rs. In Lacs)
9. Information as regards Raw Materials Consumed		
(a) Paper	499 Kgs. (449) Kgs.	18,819 (15,631)
(b) Other Raw Materials		1,407 (1,185)
<b>Total</b>		<b>20,226</b> <b>(16,816)</b>
10. Information as regards Purchase of goods made during the year :		
(a) Paper	1 Kgs. (11) Kgs.	44 (363)
(b) Books and Other Stationery Items		615 (684)
<b>Total</b>		<b>659</b> <b>(1,047)</b>
11. Information as regards to Sales made during the year :		
Sales :		
(i) Publication sales		26,208 (21,319)
(ii) Stationery sales		13,595 (10,921)
(iii) Others		239 (436)
<b>Total</b>		<b>40,043</b> <b>(32,676)</b>

For the year ended 31st March, 2008

	Value (Rs. In Lacs)
12. Value of Imports on C.I.F. Basis :	
(i) Capital Goods	86
	(213)
(ii) Raw Material (Including Consumables)	113
	(21)
(iii) Components, Stores & Spares	41
	(65)
(iv) Finished Goods	509
	(622)
13. Expenditure in Foreign Currency on Account of	
(i) Royalty	1
	(-)
(ii) Interest	28
	(-)
(iii) Professional Fees	40
	(15)
(iv) Other Matters	93
	(72)
14. Earning in Foreign Exchange :	
Export of Goods on FOB basis	2,906
	(2,883)
Interest Income	10
	(12)
15. Percentage and Value of Imported and Indigenous Raw Material and Stores & Machinery Spares Consumed.	

	<b>Raw Material</b>		<b>Stores &amp; Machinery Spares, etc.</b>	
	Percentage	Value (Rs. In Lacs)	Percentage	Value (Rs. In Lacs)
Imported	0.46%	93	8.45%	23
	(0.16)%	(28)	(12.12)%	(28)
Indigenous	99.54%	20,133	91.55%	254
	(99.84)%	(16,788)	(87.88)%	(206)
<b>Total :</b>	<b>100%</b>	<b>20,226</b>	<b>100%</b>	<b>277</b>
	<b>(100)%</b>	<b>(16,816)</b>	<b>(100)%</b>	<b>(235)</b>

## For the year ended 31st March, 2008

16. During the year, the Company has spent an amount of Rs.8.66 crores (Previous Year Rs.7.08 Crores) under the head Royalty, the said amount is for payment to various authors who are writing 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. 121.49 lacs (Previous Year Rs. 94.63 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 |
|-------------------------------------------|------------|
| Akshata Arts Pvt. Ltd.                    | 2          |
| Dipak Lalbhai & Co.Prop.Dila Dila Printer | 3          |
| Maruti Printer                            | 2          |
| Meghart Colour Crafters                   | 5          |
| Pressmen Offset Works                     | 1          |
| Wilson Printcity Pvt. Ltd.                | 4          |
- (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.
- (d) In the absence of necessary information with the Company, relating to the registration status of suppliers under the Micro, Small and Medium enterprise Development Act, 2006, the information required under the said Act could not be compiled and disclosed.
18. Due to Foreign Currency Translation Total amount of Rs. 163.90 lacs (Previous Year Rs. 74.92 lacs) being the exchange difference is credited to the Profit & Loss account.
19. Related party transactions
- (a) Party where control exists :
- Grafalco Ediciones S.L. – Subsidiary Company 100% of whose equity share capital is held by the Company as at 31st March, 2008.
- (b) Other related parties with whom transaction 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 Agencies            |
| Ankur Offset                |
| Nav Vikas Trading Pvt. Ltd. |
- (ii) Key Management Personnel & Relatives
- |                     |                      |
|---------------------|----------------------|
| 1. Shri A.R. Gala   | 10. Shri G.D. Gala   |
| 2. Shri D.R. Gala   | 11. Shri R.H. Gala   |
| 3. Shri H.R. Gala   | 12. Shri D.C. Sampat |
| 4. Shri S.R. Gala   | 13. Shri S.J. Gala   |
| 5. Shri J.L. Gala   | 14. Shri S.J. Gala   |
| 6. Shri J.K. Sampat | 15. Shri K.H. Gala   |
| 7. Shri N.N. Shah   | 16. Shri S.S. Gala   |
| 8. Shri B.A. Gala   | 17. Shri K.B. Gala   |
| 9. Shri A.D. Gala   |                      |



For the year ended 31st March, 2008

(Rs. In Lacs)

## 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	- (-)	1,017 (852)	445 (444)	1,462 (1,296)
(ii) Sales of goods and services	23 (61)	- (--)	- (2)	23 (63)
(iii) Loans given	205 (--)	- (35)	- (-)	205 (35)
(iv) Loan received back	- (154)	- (35)	-- (--)	- (189)
(v) Balance outstanding at year end Debtors	1 (5)	- (-)	- (-)	1 (5)
Loans and advances given	290 (88)	- (-)	- (-)	290 (88)

## 20. Earning Per Share :

	2007-2008 Rs. In Lacs	2006-2007 Rs. In Lacs
(a) Net Profit after tax	5,385	4,265
Add/(Less) : Excess/(Short) Provision of Taxation of the Earlier Years W / off / back	(8)	(2)
Net profit available for Equity Shareholders	5,377	4,263
(b) Number of Equity Shares (in Lacs)	952.86	952.86
(c) Basic and Diluted Earning per share of Rs.2/- each		
(i) before Extraordinary Items	5.64	4.47
(ii) after Extraordinary Items	5.64	4.47

## For the year ended 31st March, 2008

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			
Grafalco Ediciones S.L.	290	--	290
	(88)	(--)	(88)

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)
Franklin Templeton	-	-	617	16,340	617	16,343	-	-
Prudential ICICI Mutual	-	-	485	5,745	485	5,745	-	-
LIC Mutual Fund	-	-	1,693	18,590	1,693	18,590	-	-
Sundaram BNP Mutual	-	-	1,853	18,625	1,853	18,625	-	-
UTI Mutual Fund - 1	40	700	522	18,805	562	19,508	-	-

## 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, 2007 Rs. In Lacs	Deferred tax (asset)/liability as at March 31, 2008 Rs. In Lacs
Depreciation	420	424
Disallowance under section 43B	(35)	(44)
- Leave Encashment Provision	-	(66)
<b>Total</b>	<b>385</b>	<b>314</b>
Previous Year	435	385

## 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, 2008  
(For the year ended 31st March, 2007)

Rs.In Lacs

	Publication		Stationery		Others		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenue	26,208	21,319	13,595	10,921	239	436	40,043	32,676
Less : Inter Segment Revenue	—	—	—	—	—	—	—	—
Net Revenue	26,208	21,319	13,595	10,921	239	436	40,043	32,676
Other Income	83	4	65	9	0	—	148	13
Segment Revenue	26,291	21,323	13,660	10,930	239	436	40,191	32,690
Segment Results	8,028	6,048	548	1,028	(47)	53	8,529	7,129
Add : Unallocated Other Income/(Expense)	—	—	—	—	—	—	358	131
Less : Financial Expenses	—	—	—	—	—	—	285	162
Less : Unallocable Expenditures							1,212	736
Profit Before Taxation							7,390	6,362
Provision for Taxation (current tax FBT and deferred tax)							2,013	2,097
Profit after taxation							5,377	4,263
Segment Assets	18,581	15,652	11,365	8,427	2,402	768	32,347	24,847
Unallocated Assets							2,261	2,416
Total Assets							34,609	27,263
Segment Liabilities	969	680	1,520	593	1,684	7	4,173	1,280
Unallocated Liabilities							7,382	5,500
Total Liabilities							11,555	6,780
Depreciation on Segmental Assets	498	499	271	275	203	8	973	782
Unallocated Depreciation							50	49
Amortization							—	—

**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 can not 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, 2008 (For the year ended 31st March, 2007)					Rs. in Lacs	
	North & Central America	Africa	Europe	Australia & Oceania	Rest of the world except India	India	Total
Segment Revenue	850 (809)	1,133 (1,188)	632 (241)	22 (31)	249 (617)	37,158 (29,790)	40,043 (32,676)
Segment Assets	189 (215)	201 (155)	218 (48)	10 (9)	28 (259)	33,963 (26,576)	34,609 (27,263)

**26. Disclosure pursuant to Accounting Standard - 15 (Received) 'Employee benefits' -**

(a) Effective 1 April 2007, the Company adopted Accounting Standard (AS) 15 (received 2005) on "Employee Benefits" issued by ICAI. The actuarial valuations of the various employee benefits were carried out by using the Projected Unit Credit Method and, pursuant to the adoption of revised AS 15 the Company has written off an amount of Rs.128 Lacs (net of deferred tax charge of Rs. 66 Lacs) to the opening balance of reserve and surplus.

**(b) Defined Contribution Plans**

The Company recognised Rs. 153 Lacs for Provident fund contributions in the Profit and Loss Account.

**(c) Defined benefit plan and long term employment benefits****General description****Gratuity (Defined benefit plan)**

The Company makes annual contribution to the employee group gratuity scheme of the Life Insurance Corporation of India, funded defined benefits plan for qualified employees. The scheme provided for lumpsum payments to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary for each completed year of service or part thereof in excess of six months. vesting occurs upon completion of five years of service.

The following table sets out for the funded status of gratuity plan as at March 31, 2008 :

<b>Change in Obligation</b>	
Opening Present Value of Accrued Gratuity	387
Service Cost including actuarial gain/(loss)	54
Interest Cost	31
Benefits paid	15
Closing Present Value of Accrued Gratuity	456
<b>Changing in Plan Asset</b>	
Opening Fund Balance	283
Return on the plan asset	27
Contribution paid	102
Benefits paid during period	15
Closing Fund Balance	396
<b>Reconciliation of present value of obligation and plan asset</b>	
Closing Fund Balance	396
Closing present value of Accrued Gratuity	456
Net Liability	60
Liability recognized in balance sheet	60

<b>Assumptions</b>	
Expected return on plan assets	8.00%
Salary escalation rate	7.00%
Discounting rate	8.00%

27. 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

**Haresh K. Chheda**  
Partner  
Mumbai : 27th June, 2008

sd/-

**Amit D. Buch**  
Company Secretary

sd/-

**A. R. Gala**  
Managing Director

For and on behalf of the Board

sd/-

**S. K. Vikamsey**  
Chairman

# Cash Flow Statement

## NAVNEET PUBLICATIONS (INDIA) LIMITED

	For the Year ended 2007-2008	For the Year ended 2006-2007
	Rs. in Lacs	Rs. in Lacs
<b>Cash Flow from Operating Activities</b>		
Net profit before tax	7,390	6,362
Adjustments for		
Interest & Financial Income (non operational)	(352)	(133)
(Profit) / Loss on sale of fixed assets	(9)	10
(Profit) / Loss on sale of Investments	(6)	(2)
Interest and Financial Expense	285	162
Depreciation	1,022	831
<b>Changes in Current Assets and liabilities</b>		
(Increase) / Decrease in Inventory	(4,241)	(340)
(Increase) / Decrease in Debtors	(1,354)	548
(Increase) / Decrease in Loans and advances	437	(726)
Increase / (Decrease) in current liabilities and provision	1,170	(489)
Income Taxes Paid	(2,172)	(2,219)
<b>Net cash inflow / (outflow) from Operating Activities (A)</b>	<b>2,170</b>	<b>4,002</b>
<b>Cash flow from Investing Activities</b>		
Purchase of Fixed Asset and change in capital WIP	(3,801)	(689)
Proceeds from sales of fixed Asset	19	6
(Increase) / Decrease in Investment other than Subsidiary	701	(675)
(Increase) / Decrease in Investment in Subsidiary	-	-
(Profit) / Loss on sale of Investments	6	2
Interest & Financial Income	279	136
<b>Net cash inflow / (outflow) from Investing Activities (B)</b>	<b>(2,797)</b>	<b>(1,220)</b>
<b>Cash flow from Financing Activities</b>		
Increase / (Decrease) in Loan Fund	3,443	(123)
Interest and Financial Expense	(213)	(187)
Dividend Paid (including Dividend Tax)	(2,659)	(2,177)
<b>Net cash inflow / (outflow) from Financing Activities (C)</b>	<b>571</b>	<b>(2,488)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>(55)</b>	<b>293</b>
Cash and cash equivalent as at the commencement of the year	479	184
Cash and cash equivalent as at the end of the year	424	479
<b>Net Increase / (Decrease) as mentioned above</b>	<b>(55)</b>	<b>293</b>
<b>Notes:</b> (1) Cash and cash equivalent includes cash, cheque in hand and remittance in transit	30	23
Balance with banks	394	455

As per our report of even date attached hereto

For and on behalf of :

**Ghalla & Bhansali**

Chartered Accountants

sd/-

**Haresh K. Chheda**

Partner

Mumbai : 27th June, 2008

sd/-

**Amit D. Buch**

Company Secretary

sd/-

**A. R. Gala**

Managing Director

sd/-

**S. K. Vikamsey**

Chairman

For and on behalf of the Board



NAVNEET PUBLICATIONS (INDIA) LIMITED

Consolidated  
Financial  
Statements

for the year ended 31st March, 2008

## 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 of **NAVNEET PUBLICATIONS (INDIA) LIMITED (the Company)** and its subsidiary **GRAFALCO EDICIONES S.L. (subsidiary)**, as at 31st March 2008, and also the Consolidated Profit and Loss account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto.

These financial statements are the responsibility of the Company's management. 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.

Attention is invited to note no 1(d) in schedule P in connection with the consolidation of financial statements of subsidiary.

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 2008;
- b. in case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiary 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 subsidiary for the year ended on that date.

**For Ghalla & Bhansali**

Chartered Accountants

sd/-

**Haresh K. Chheda**

**Place:** Mumbai

**Date:** 27<sup>th</sup> June, 2008

Partner

Membership No. 38262

# Balance Sheet (Consolidated)

# NAVNEET PUBLICATIONS (INDIA) LIMITED

	Schedule	Rs. In Lacs	As at 31st March, 2008 Rs. In Lacs	As at 31st March, 2007 Rs. In Lacs
<b>Sources of Funds</b>				
Shareholders' Funds				
Share Capital	A	1,906		1,906
Reserves & Surplus	B	<u>21,174</u>		<u>18,559</u>
			23,080	20,465
<b>Loan Funds</b>				
Secured Loans	C	4,334		3,254
Unsecured Loans	D	<u>4,500</u>		<u>2,000</u>
			8,834	5,254
Deferred Tax Liability			<u>314</u>	<u>386</u>
<b>Total Funds Employed</b>			<u><u>32,228</u></u>	<u><u>26,104</u></u>
Application of Funds				
Fixed Assets				
Gross Block	E	17,636		14,440
Less : Depreciation		<u>8,643</u>		<u>7,656</u>
Net Block		<u>8,993</u>		<u>6,784</u>
Capital Work In Progress		<u>83</u>		<u>44</u>
			9,076	6,828
Investments	F		16	754
Current Assets, Loans and Advances				
Inventories	G	17,191		12,790
Sundry Debtors		6,092		4,396
Cash & Bank Balances		529		479
Loans & Advances		<u>2,512</u>		<u>2,473</u>
		<u>26,324</u>		<u>20,137</u>
Less: Current Liabilities and Provisions	H			
Current Liabilities		2,998		1,552
Provisions		<u>226</u>		<u>110</u>
		<u>3,224</u>		<u>1,662</u>
Net Current Assets			23,100	18,475
Miscellaneous Expenditure (To the extent not written off or adjusted)				
Preliminary / Deferred Revenue Expenditure		<u>37</u>		<u>46</u>
			37	46
<b>Total Funds Utilised</b>			<u><u>32,228</u></u>	<u><u>26,104</u></u>

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

**Ghalla & Bhansali**  
Chartered Accountants  
sd/-  
**Haresh K. Chheda**  
Partner  
Mumbai : 27th June, 2008

sd/-  
**Amit D. Buch**  
Company Secretary

sd/-  
**A. R. Gala**  
Managing Director

For and on behalf of the Board

sd/-  
**S. K. Vikamsey**  
Chairman

# Profit and Loss Account (Consolidated)

**NAVNEET PUBLICATIONS (INDIA) LIMITED**

	Schedule	2007 -2008	2006 - 2007
		Rs. In Lacs	Rs. In Lacs
<b>Income</b>			
Income from Operations		41,112	33,228
Other Income	I	498	135
		<u>41,610</u>	<u>33,363</u>
<b>Expenditure</b>			
(Increase)/Decrease In Stocks	J	(1,583)	(1,774)
Cost of Materials	K	21,739	18,356
Manufacturing Expenses	L	2,526	1,992
Salaries Wages & Employee Benefit	M	3,224	2,750
Administrative & Selling Expenses	N	6,916	4,661
Interest	O	306	166
		<u>33,127</u>	<u>26,151</u>
Profit before Depreciation & Tax		8,483	7,213
Depreciation	E	1,046	854
Profit before tax		7,437	6,359
Less: Provision for taxation - Current		1,952	2,063
- Fringe Benefit Tax		61	83
- Defered Tax		(6)	(49)
Add/(Less) : Excess/(Short) Provision of taxation of Earlier Year W/off/back		8	2
Profit after Tax		5,421	4,260
Add : Balance Brought Forward from last year		9,545	8,457
Profit available for Appropriation		<u>14,966</u>	<u>12,717</u>
<b>Appropriations / Adjustments :</b>			
Dividend (First Interim)		1,525	1,143
Dividend (Second Interim)		762	762
		<u>2,287</u>	<u>1,905</u>
Corporate Tax on Dividend		389	267
General Reserve		1,000	1,000
		<u>3,676</u>	<u>3,172</u>
Surplus Carried to Balance Sheet		<u>11,291</u>	<u>9,545</u>
<b>Basic and Diluted Earning per Share of (Rs. 2/- each) [Refer Note 7 of Schedule 'P']</b>			
Before Extraordinary Items		5.69	4.47
After Extraordinary Items		5.69	4.47
Significant Accounting Policies and Notes on accounts	P		
Schedule refered to above form an integral part of the accounts			

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

sd/-  
**Haresh K. Chheda**  
Partner  
Mumbai : 27th June, 2008

sd/-  
**Amit D. Buch**  
Company Secretary

sd/-  
**A. R. Gala**  
Managing Director

sd/-  
**S. K. Vikamsey**  
Chairman

## Schedules forming part of the Balance Sheet (Consolidated)

**NAVNEET PUBLICATIONS (INDIA) LIMITED**

	As at 31st March, 2008	As at 31st March, 2007
	Rs. In Lacs	Rs. In Lacs
<b>SCHEDULE A : SHARE CAPITAL</b>		
Authorised :		
10,00,00,000 (10,00,00,000) Equity shares of Rs. 2. each (Rs.2/- each)	<u>2,000</u>	<u>2,000</u>
Issued, Subscribed & Paid Up :		
9,52,86,000 (9,52,86,000) Equity Shares of Rs. 2 each (Rs.2/- each)	<u>1,906</u>	<u>1,906</u>
<b>Total</b>	<u>1,906</u>	<u>1,906</u>
<b>Note :</b>		
(1) Of the above 6,35,24,000 (6,35,24,000) Shares were allotted as fully paid-up Bonus Shares by Capitalisation of Share Premium and General Reserve		
<b>SCHEDULE B : RESERVES &amp; SURPLUS</b>		
Capital Reserve		
As per last Balance Sheet	0	0
General Reserve		
As per last Balance Sheet	9000	8,000
Less: Charge on account of transitional provisions under Accounting Standard 15 (Revised 2005)		
Gratuity (net of tax Rs. 35 Lacs)	(69)	-
Leave Encashment (net of tax Rs. 31 Lacs)	(59)	-
Add: Set aside this Year	<u>1,000</u>	<u>1,000</u>
	9,872	9,000
Foreign Currency Translation Reserve	11	14
<b>Surplus as per Profit and Loss Account</b>	<u>11,291</u>	<u>9,545</u>
<b>Total</b>	<u>21,174</u>	<u>18,559</u>

## Schedules forming part of the Balance Sheet (Consolidated)

NAVNEET PUBLICATIONS (INDIA) LIMITED

	Rs. In Lacs	As at 31st March, 2008 Rs. In Lacs	As at 31st March, 2007 Rs. In Lacs
<b>SCHEDULE C : SECURED LOANS</b>			
<b>LOANS FROM BANKS :</b>			
LONG TERM			
Foreign Currency Loans - Windmill		1,685	-
SHORT TERM			
Working capital borrowings			
– Local Currency Loans		1,449	597
– Foreign Currency Loans		1,200	2,656
Other Loans		-	1
<b>Total</b>		<u>4,334</u>	<u>3,254</u>

**Notes :**

- (a) All Long and Short term rupee loans and foreign currency loans equivalent to Rs. 4,334/- Lac (Previous Year Rs. 3,253/-) 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.
  - (3) Secured against bank guarantee of parent Company.
- (b) Other loans are secured against hypothecation of respective assets

**SCHEDULE D : UNSECURED LOANS**

WCDL Loan		4,500	2,000
<b>Total</b>		<u>4,500</u>	<u>2,000</u>



## Schedules forming part of the Balance Sheet (Consolidated)

NAVNEET PUBLICATIONS (INDIA) LIMITED

### SCHEDULE E : FIXED ASSETS

Rs. in Lacs

Sr. No.	Description of Assets	Gross Block				Depreciation/Amortization				Net Block	
		Cost As at 31.03.2007	Additions during the year	Deduction / Adjustment	Cost As at 31.03.2008	up to 31.03.2007	For the year	Deductions / Adjustment	upto 31.03.2008	As at 31.03.2008	As at 31.03.2007
	<b>Tangible</b>										
1	Land - Freehold	340	-	-	340	-	-	-	-	340	340
	Land - Leasehold	84	-	-	84	19	6	-	26	58	64
2	Building	3,778	150	5	3,922	1,314	163	2	1,475	2,448	2,464
3	Plant & Machinery	7,939	2,863	16	10,786	4,903	674	14	5,562	5,224	3,036
4	Office Equipment	205	21	2	223	120	16	2	134	89	85
5	Furniture & Fixtures	982	23	-	1,005	626	68	-	694	312	357
6	Vehicles	628	203	46	785	411	85	41	455	330	217
	<b>Intangible</b>										
7	Intellectual Property	203	-	-	203	29	20	-	49	153	174
8	Trade Mark	57	-	-	57	11	6	-	17	40	46
9	SAP	190	-	-	190	190	-	-	190	-	-
10	Software	33	8	-	41	33	8	-	41	-	-
	<b>Total</b>	<b>14,440</b>	<b>3,267</b>	<b>69</b>	<b>17,636</b>	<b>7,656</b>	<b>1,046</b>	<b>59</b>	<b>8,643</b>	<b>8,993</b>	<b>6,784</b>
	Previous Year	13,846	656	62	14,440	6,848	854	46	7,656	6,784	

### SCHEDULE F : INVESTMENTS

Rs. In Lacs

	As at 31st March, 2008	As at 31st March, 2007
	Rs. In Lacs	Rs. In Lacs
<b>LONG TERM - NON TRADE</b>		
Long Term financial Investments	15	16
<b>OTHER INVESTMENTS</b>		
Temporary Financial Investments	0	38
<b>CURRENT INVESTMENTS</b>		
<b>Mutual Funds</b>		
Units of Rs.10/-each fully paid up		
- (3984190.881) UTI Money Market Fund		700
Repurchase value of quoted Mutual Fund Rs. NIL		
Previous year Rs. (700)		
	<u>16</u>	<u>700</u>
<b>Aggregate Book Value of Investments</b>	<u>16</u>	<u>754</u>
<b>TOTAL</b>	<u>16</u>	<u>754</u>

## Schedules forming part of the Balance Sheet (Consolidated)

## NAVNEET PUBLICATIONS (INDIA) LIMITED

	As at 31st March, 2008	As at 31st March, 2007
	Rs. In Lacs	Rs. In Lacs
<b>SCHEDULE G : CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
Current Assets		
Inventories		
Stores Spares & Consumables	377	290
Raw Materials	6,429	3,698
Finished Goods	9,314	8,209
Work In Process	<u>1,070</u>	<u>593</u>
		17,191
Sundry Debtors (Unsecured considered good)		
Over six months	321	501
Others	<u>5,771</u>	<u>3,895</u>
		6,092
Cash and Bank Balances		
Cash on hand	31	24
Balance with Scheduled Banks		
In Current Account	361	334
In Fixed Deposit Account	1	1
In Dividend Account	<u>136</u>	<u>120</u>
		529
LOANS & ADVANCES (Unsecured considered good)		
LOANS		
Staff Loans	172	161
Corporate Deposits	165	5
Other Deposits	<u>157</u>	<u>158</u>
	494	324
ADVANCES		
Advances Recoverable in Cash or in Kind or for value to be received	1,313	888
Deposits with Public Bodies Govt.,etc.	52	45
Deposit with Others	33	748
Advance Tax paid (Net)	<u>620</u>	<u>467</u>
	2,018	2,149
		2,512
		26,324
TOTAL		<u>20,137</u>

## Schedules forming part of the Balance Sheet (Consolidated)

**NAVNEET PUBLICATIONS (INDIA) LIMITED**

		As at 31st March, 2008	As at 31st March, 2007
	Rs. In Lacs	Rs. In Lacs	Rs. In Lacs
<b>SCHEDULE H : CURRENT LIABILITIES AND PROVISIONS</b>			
Current Liabilities			
Sundry Creditors	1,901		804
Advances Received from Customers	173		73
Investors Education and Protection Fund to be credited as and when due			
- Unclaimed Dividend	136		120
Other Liabilities	764		549
Interest Accrued But Not Due	24		5
		2,998	1,552
Provisions			
For Leave Encashment Benefit	226		110
		226	110
<b>TOTAL</b>		<b>3,224</b>	<b>1,662</b>

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

## NAVNEET PUBLICATIONS (INDIA) LIMITED

	For the Year Ended	
	31st March, 2008	31st March, 2007
	Rs. In Lacs	Rs. In Lacs
<b>SCHEDULE I : OTHER INCOME</b>		
On Current Investment (Gross)		
Dividend		42
Profit / Loss on Sale of Investments		2
Miscellaneous Income		(5)
Exchange Fluctuation on Consolidation		2
Interest & Financial Income [TDS Rs. 61 Lacs; (Previous year Rs. 20 Lacs)]		95
<b>TOTAL</b>		<u>135</u>
<b>SCHEDULE J : (INCREASE)/DECREASE IN STOCK</b>		
Closing Stock		
Work In Process	1,070	593
Finished Goods	<u>9,314</u>	<u>8,209</u>
		10,385
Opening Stock		
Work In Process	593	586
Finished Goods	<u>8,209</u>	<u>6,442</u>
<b>TOTAL</b>		<u>7,028</u>
		<u>(1,583)</u>
<b>SCHEDULE K : COST OF MATERIAL</b>		
Raw Materials Consumed		16,946
Freight & Octroi		362
Purchase of Goods		<u>1,047</u>
<b>TOTAL</b>		<u>18,356</u>
<b>SCHEDULE L : MANUFACTURING EXPENSES</b>		
Printing Expenses		581
Binding Expenses		355
Other Manufacturing Expenses		639
Power & fuel		183
Stores & Spares Consumed		154
Repairs to Plant & Machinery		80
<b>TOTAL</b>		<u>1,992</u>

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

## NAVNEET PUBLICATIONS (INDIA) LIMITED

	For the Year Ended 31st March, 2008	For the Year Ended 31st March, 2007
	Rs. In Lacs	Rs. In Lacs
<b>SCHEDULE M : SALARIES, WAGES &amp; EMPLOYEE BENEFITS</b>		
Salaries, Wages & Bonus	2,709	2,309
Contribution to Provident & Other Funds	259	246
Staff Welfare	255	195
<b>TOTAL</b>	<u>3,224</u>	<u>2,750</u>
<b>SCHEDULE N : ADMINISTRATIVE &amp; SELLING EXPENSES</b>		
Rates & Taxes	217	172
VAT/ Sales Tax	502	381
Rent	255	202
Royalty	866	708
Building Repairs & Maintenance	182	107
Other Repairs	113	76
Insurance	81	80
Transportation Expenses	672	540
Commission	87	56
Advertisement	585	214
Marketing Expenses	626	511
Sales Promotion Expenses	480	230
Discount & Rebate	256	212
Preliminary Expenses written off	12	1
Bad debts and other irrecoverable advance written off	270	11
Donation	353	84
Bank Charges	102	51
Prior Period Items	(2)	(1)
Other Expenses	1,258	1,025
<b>TOTAL</b>	<u>6,916</u>	<u>4,661</u>
<b>SCHEDULE O : INTEREST</b>		
Debentures	100	61
Others	206	105
<b>TOTAL</b>	<u>306</u>	<u>166</u>

For the year ended 31st March, 2008

### SCHEDULE P : NOTES TO ACCOUNTS

#### 1 Statement of Significant Accounting Policies

##### (a) Principles of Consolidation :

Consolidated financial Statements relate to Navneet Publications (India) Ltd. and its subsidiaries Grafalco Ediciones S.L.

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

- (i) The financial statements of the company and its subsidiary company 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) Grafalco Ediciones 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.
- (iv) Grafalco Ediciones S.L. Balance Sheet is as at 31st December, 2007 with 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.

##### (d) As per the law governing the subsidiary, statutory audit is obligatory only if

- a) The turnover is above Euro 4,747,996 and
- b) Total employees are more than 50

Since the subsidiary has not met any of the above conditions, accounts of the subsidiary are not subject to audit for the year. Accordingly consolidated financial statements are compiled on the basis of such unaudited accounts.

2 Estimated amount of Capital Contracts (net of advances) remaining to be executed and not provided for Rs.574.05 Lacs (Previous Year Rs.6.08 Lacs)

#### 3 Contingent Liability

(a) For disputed Income-tax matters Rs.587.90 Lacs (Previous Year Rs.585.07 Lacs) against which amount paid is Rs.487.98 Lacs (Previous Year Rs.486.95 Lacs)

##### (b) Against Bond

- (i) Rs.380.61 Lacs (Previous Year Rs.380.61 lacs) : For fulfilment of export obligation of US \$ 26.70 lacs equivalent to Rs.1058.30 lac (Previous Year Rs.1150.14 lacs) for import of machinery against licence 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.

For the year ended 31st March, 2008

(ii) Rs.2020/- Lacs (previous year Rs. 3300/- Lacs) ; for purchase of excisable inputs without payment of duty under bond to manufactured goods meant for exports. The Company has already fulfilled obligation upto Rs.1936.60 Lacs (previous year Rs.3238.19 Lacs) till end of the year.

(c) Forward exchange contracts of USD 3 Mn equivalent Rs.12.01 cr. and EUR 2.15 Mn equivalent Rs.12.95 cr. (Previous Year USD 4.5 Mn equivalent Rs.20.45 cr. and Eur 0.32 Mn equivalent Rs.1.83 cr.) are open as on balance sheet date.

(d) In respect of bank guarantees given for other companies of Euro 1-mn equivalent to Rs.584-lac.

(e) USD 11.27 Mn worth of derivative contracts were open on balance sheet date for sale of USD, hedging Company's receivables in foreign currency over a period up to five years. Premium, if any, would be payable only in fourth and fifth year of the contracts. Considering the long tenure of the contracts and the volatility in the forex market, the company is not able to reasonably assess its fair value and its implication as on balance sheet date and hence, provision, if any, has not been made in books of accounts towards these contracts.

The company has entered into derivative option contracts hedging its exposure on ECB availed for wind power generation project. Option contracts worth of JPY 504-Mn are open as on balance sheet date, maturing over a period of seven years. The company has reasonable hedge against its ECB borrowing.

4 During the year, the Company has spent an amount of Rs.8.66 crores (Previous Year Rs.7.08 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 Due to foreign currency translation total amount of Rs.164.78 lacs (Previous Year Rs.74.92 lacs) being the exchange difference is credited to the Profit & Loss account.

## 6 Related party transactions

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

(i) <i>Enterprises owned or significantly influenced by key management personnel or their relatives</i>	-	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, 2008

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, expenses and other services from related parties	1,017 (852)	445 (444)	1,462 (1,296)
(ii) Sales of goods and services	- (-)	- (2)	- (2)
(iii) Loan given	- (35)	- -	- (35)
(iv) Loan received back	- (35)	- -	- (35)

<b>7 Earning Per Share :</b>	<b>2007-2008</b>	<b>2006-2007</b>
	<b>Rs. In Lacs</b>	<b>Rs. In Lacs</b>
(a) Net Profit after tax	5,429	4,262
Add (Less) : Excess/(Short) Provision of Earlier Year W/off/back	(8)	(2)
Net Profit available for Equity Shareholders	5,421	4,260
(b) Number of Equity Shares	952.86	952.86
(c) Basic and Diluted Earning per share of Rs.2/- each		
(i) before Extra Ordinary Item	5.69	4.47
(ii) after Extra Ordinary Item	5.69	4.47

**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, 2007	Deferred Tax (asset)/liability as at March 31, 2008
Depreciation	420	424
Disallowance under section 43B	(35)	(44)
- Leave Encashment Provision		
Transitional provision under Revised AS 15	-	(66)
<b>Total</b>	<b>385</b>	<b>314</b>
Previous Year	435	385

**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, 2008

(For the year ended 31st March, 2007)

(Rs. in Lacs)

	Publication		Stationery		Others		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenue	27,278	21,871	13,595	10,921	239	436	41,112	33,228
Less : Inter Segment Revenue	—	—	—	—	—	—	—	—
Net Revenue	27,278	21,871	13,595	10,921	239	436	41,112	33,228
Other Income	75	7	65	9	—	—	140	16
Segment Revenue	27,353	21,878	13,660	10,930	239	436	41,252	33,244
Segment Results	8,074	6,045	548	1,028	(47)	53	8,575	7,126
Add : Unallocated Other Income/(Expense)	—	—	—	—	—	—	358	120
Less : Financial Expenses	—	—	—	—	—	—	306	166
Less : Unallocable Expenditures	—	—	—	—	—	—	1,191	720
Profit Before Taxation	—	—	—	—	—	—	7,437	6,359
Provision for Taxation (current tax, FBT and deferred tax)	—	—	—	—	—	—	2,015	2,097
Profit after taxation	—	—	—	—	—	—	5,421	4,262
Segment Assets	19,425	16,155	11,365	8,427	2,402	768	33,191	25,350
Unallocated Assets	—	—	—	—	—	—	2,261	2,416
Total Assets	—	—	—	—	—	—	35,453	27,766
Segment Liabilities	1,787	1,202	1,520	593	1,684	7	4,991	1,802
Unallocated Liabilities	—	—	—	—	—	—	7,382	5,500
Total Liabilities	—	—	—	—	—	—	12,373	7,302
Depreciation on Segmental Assets	522	522	271	275	203	8	997	805
Unallocated Depreciation	—	—	—	—	—	—	50	49
Amortization	—	—	—	—	—	—	—	—

#### 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 can not 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, 2008 (For the year ended 31st March, 2007)					(Rs. in Lacs)	
	North & Central America	Africa	Europe	Australia & Oceania	Rest of the world except India	India	Total
Segment Revenue	850 (809)	1,133 (1,188)	1,701 (793)	22 (31)	249 (617)	37,158 (29,790)	41,112 (33,228)
Segment Assets	189 (215)	201 (155)	1,062 (551)	10 (9)	28 (259)	33,963 (26,576)	35,453 (27,766)

## 11. Disclosure pursuant to Accounting Standard - 15 (Revised) 'Employee benefits' -

(a) Effective 1 April 2007, the Company adopted Accounting Standard (AS) 15 (revised 2005) on "Employee Benefits" issued by ICAI. The actuarial valuations of the various employee benefits were carried out by using the Projected Unit Credit Method and pursuant to the adoption of the revised AS 15 the Company has written back an amount of Rs. 128 Lacs (net of deferred tax charge of Rs.66 Lacs) to the opening balance of reserve and surplus.

## (b) Defined Contribution Plans

The Company recognised Rs. 153 Lacs for Provident fund contributions in the Profit and Loss Account.

## (c) Defined benefit plan and long term employment benefits

**General description**

Gratuity (Defined benefit plan)

The Company makes annual contribution to the employee group gratuity scheme of the Life Insurance Corporation of India, funded defined benefits plan for qualified employees. The scheme provided for lumpsum payments to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary for each completed year of service or part thereof in excess of six months. vesting occurs upon completion of five years of service.

The following table sets out for the funded status of gratuity plan as at March 31, 2008 :

<b>Change in Obligation</b>	
Opening Present Value of Accrued Gratuity	387
Service Cost including actuarial gain/(loss)	54
Interest Cost	31
Benefits paid	15
Closing Present Value of Accrued Gratuity	456
<b>Changing in Plan Asset</b>	
Opening Fund Balance	283
Return on the plan asset	27
Contribution paid	102
Benefits paid during period	15
Closing Fund Balance	396
<b>Reconciliation of present value of obligation and plan asset</b>	
Closing Fund Balance	396
Closing present value of Accrued Gratuity	456
Net Liability	60
Liability recognized in balance sheet	60

<b>Assumptions</b>	
Expected return on plan assets	8.00%
Salary escalation rate	7.00%
Discounting rate	8.00%

12. 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  
sd/-

**Haresh K. Chheda**  
Partner  
Mumbai : 27th June, 2008

sd/-  
**Amit D. Buch**  
Company Secretary

sd/-  
**A. R. Gala**  
Managing Director

sd/-  
**S. K. Vikamsey**  
Chairman

# Cash Flow Statement (Consolidated)

NAVNEET PUBLICATIONS (INDIA) LIMITED

	For the Year ended 2007-2008	For the Year ended 2006-2007
	Rs. In Lacs	Rs. In Lacs
<b>Cash Flow from Operating Activities</b>		
Net profit before tax	7,437	6,359
Adjustments for		
Interest & Financial Income (non operational)	(342)	(121)
(Profit) / Loss on sale of fixed assets	(9)	10
(Profit) / Loss on sale of Investments	(6)	(2)
Exchange Fluctuation on Consolidation	(0)	(2)
Interest and Financial Expense	306	166
Foreign Currency Translation Reserve	(11)	(14)
Depreciation	1,046	854
<b>Changes in Current Assets and liabilities</b>		
(Increase) / Decrease in Inventory	(4,401)	(417)
(Increase) / Decrease in Debtors	(1,696)	417
(Increase) / Decrease in Loans and advances	641	(879)
Increase / (Decrease) in current liabilities and provision	1,330	(477)
Income Taxes Paid	(2,174)	(2,219)
(Increase) / Decrease in Preliminary Expenses (Net)	7	(44)
<b>Net cash inflow / (outflow) from Operating Activities (A)</b>	<b>2,128</b>	<b>3,632</b>
<b>Cash flow from Investing Activities</b>		
Purchase of Fixed Asset and change in capital WIP	(3,809)	(698)
Proceeds from Sale of Fixed Asset	19	6
(Increase) / Decrease in Investment other than Subsidiary	701	(675)
(Increase) / Decrease in Investment in Subsidiary	38	43
(Profit) / Loss on sale of Investments	6	2
Interest & Financial Income	269	123
<b>Net cash inflow / (outflow) from Investing Activities (B)</b>	<b>(2,777)</b>	<b>(1,198)</b>
<b>Cash flow from Financing Activities</b>		
Increase / (Decrease) in Loan Fund	3,581	215
Interest and Financial Expense	(233)	(192)
Dividend Paid (including Dividend Tax)	(2,659)	(2,177)
<b>Net cash inflow / (outflow) from Financing Activities (C)</b>	<b>688</b>	<b>(2,155)</b>
Foreign Currency Translation Reserve	11	14
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>51</b>	<b>294</b>
Cash and cash equivalent as at the commencement of the year	479	185
Cash and cash equivalent as at the end of the year	529	479
<b>Net Increase / (Decrease) as mentioned above</b>	<b>51</b>	<b>294</b>
<b>Notes:</b>		
(1) Cash and cash Equivalent includes cash, cheque in hand and remittance in transit	31	24
Balance with banks	498	455

As per our report of even date attached hereto

For and on behalf of :

Ghalla & Bhansali Chartered Accountants

Haresh K. Chheda

Partner

Mumbai : 27th June, 2008

sd/-

Amit D. Buch  
Company Secretary

sd/-

A. R. Gala  
Managing Director

For and on behalf of the Board

sd/-

S. K. Vikamsey  
Chairman

# Balance Sheet Abstract

NAVNEET PUBLICATIONS (INDIA) LIMITED

Accounting Year : 2007 - 2008 (12 months)

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.   3  4  0  5  5 State Code No.  1  1 (Refer Code List 1) Balance Sheet Date   3  1   0  3   2  0  0  8

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

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

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

Total Liabilities <input type="text"/> <input type="text"/> 3 <input type="text"/> 1 <input type="text"/> 7 <input type="text"/> 2 <input type="text"/> 3 <input type="text"/> 6 <input type="text"/> 0	Total Assets <input type="text"/> <input type="text"/> 3 <input type="text"/> 1 <input type="text"/> 7 <input type="text"/> 2 <input type="text"/> 3 <input type="text"/> 6 <input type="text"/> 0
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Sources of Funds

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

Application of Funds

Net Fixed Assets <input type="text"/> <input type="text"/> <input type="text"/> 8 <input type="text"/> 9 <input type="text"/> 0 <input type="text"/> 4 <input type="text"/> 1 <input type="text"/> 1	Investments <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 2 <input type="text"/> 6 <input type="text"/> 9 <input type="text"/> 8 <input type="text"/> 6	Accumulated Losses <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L
Net Current Assets <input type="text"/> <input type="text"/> 2 <input type="text"/> 2 <input type="text"/> 5 <input type="text"/> 4 <input type="text"/> 9 <input type="text"/> 6 <input type="text"/> 2	Deferred Revenue Expenditure <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L	

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

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

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

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



# Grafalco Ediciones S. L. Financial Statements

for the year ended 31st December, 2007

# AMOUNTS IN EURO

# Balance Sheet

Grafalco Ediciones S. L.

Schedule	As at		
	31st Dec, 2007	31st Dec, 2006	
	EURO	EURO	
<b>Sources of Funds</b>			
Shareholders' Funds			
Share Capital	A	503,006	503,006
Reserves & Surplus	B	14,981	(55,634)
		517,987	447,372
<b>Loan Funds</b>			
Secured Loans	C	824,091	473,080
Unsecured Loans	D	350,000	266,320
		1,174,091	739,400
		<u>1,692,079</u>	<u>1,186,772</u>
<b>Total Funds Employed</b>			
<b>Application of Funds</b>			
Fixed Assets	E		
Gross Block		392,079	378,517
Less: Depreciation		96,524	54,577
Net Block		295,555	323,940
Capital Work-in-Progress		-	-
		295,555	323,940
<b>Investments</b>	F	27,404	91,680
Current Assets, Loans and Advances	G		
Inventories		688,725	413,261
Sundry Debtors		1,174,795	620,705
Cash and Bank Balances		28,399	440
Loans and Advances		-	-
		<u>1,891,919</u>	<u>1,034,406</u>
Less: Current Liabilities and Provisions	H		
Current Liabilities		585,938	342,519
Provisions		-	-
		<u>585,938</u>	<u>342,519</u>
Net Current Assets			
Preliminary/Deferred Revenue Expenditure (To the extent not written off or adjusted)			
		1,305,981	691,887
		63,139	79,265
<b>Total Funds Utilised</b>		<u>1,692,079</u>	<u>1,186,772</u>

For and on behalf of the Board

MUMBAI : 25th March, 2008

sd/-  
A. D. Gala  
Director

sd/-  
Dilip Sampat  
Director

sd/-  
G. D. Gala  
Director

**Profit and Loss Account**

	Schedule	For the year ended	For the year ended
		31st Dec, 2007	31st Dec, 2006
		EURO	EURO
<b>Income</b>			
Sales & Income from Operations		1,911,359	1,055,260
Other Income	I	2,908	3,896
		<u>1,914,268</u>	<u>1,059,156</u>
<b>Expenditure</b>			
(Increase)/Decrease In Stocks	J	(242,446)	(113,538)
Cost of Materials	K	732,175	304,995
Manufacturing Expenses	L	361,951	262,240
Salaries Wages & Employee Benefit	M	428,427	243,796
Administrative & Selling Expenses	N	466,313	310,327
Interest	O	51,041	33,115
		<u>1,797,461</u>	<u>1,040,936</u>
Profit before Depreciation & Tax		116,807	18,219
Depreciation	E	41,948	39,352
Profit before Tax		<u>74,859</u>	<u>(21,133)</u>
Less : Provision for Taxation		4,244	-
Profit after Tax		<u>70,615</u>	<u>(21,133)</u>
Add : Balance Brought Forward from last year		(55,634)	(34,501)
Profit available for Appropriation		<u>14,981</u>	<u>(55,634)</u>
		<u>14,981</u>	<u>(55,634)</u>

Surplus Carried to Balance Sheet

For and on behalf of the Board

sd/-  
**A. D. Gala**  
Director

sd/-  
**Dilip Sampat**  
Director

sd/-  
**G. D. Gala**  
Director

Mumbai : 25th March, 2008

# AMOUNTS IN INR IN LACS

# Balance Sheet As At 31st December, 2007

Grafalco Ediciones S. L.

	Schedule	As at	
		31st Dec, 2007	31st Dec, 2006
		Rs. In Lacs	Rs. In Lacs
<b>Sources of Funds</b>			
Shareholders' Funds			
Share Capital	A	292	294
Reserves & Surplus	B	<u>9</u>	<u>(32)</u>
			261
			301
<b>Loan Funds</b>			
Secured Loans	C	479	276
Unsecured Loans	D	<u>203</u>	<u>156</u>
			432
			<u>682</u>
			<u>983</u>
<b>Total Funds Employed</b>			
Application of Funds			
Fixed Assets	E		
Gross Block		228	221
Less: Depreciation		<u>56</u>	<u>32</u>
Net Block		<u>172</u>	<u>189</u>
			189
			172
<b>Investments</b>	F		
Current Assets, Loans and Advances	G		
Inventories		400	241
Sundry Debtors		682	362
Cash and Bank Balances		16	0
Loans and Advances		<u>-</u>	<u>-</u>
		<u>1,099</u>	<u>604</u>
Less: Current Liabilities and Provisions	H		
Current Liabilities		<u>340</u>	<u>200</u>
		<u>340</u>	<u>200</u>
			759
			404
Net Current Assets			
Preliminary Expenditure			37
(To the extent not written off or adjusted)			46
<b>Total Funds Utilised</b>			
Significant Accounting Policies and			
Notes on account schedule to above from an integral part of the account	P		
			<u>983</u>
			<u>693</u>

Mumbai : 25th March, 2008

sd/-  
A. D. Gala  
Director

sd/-  
Dilip Sampat  
Director

For and on behalf of the Board  
sd/-  
G. D. Gala  
Director

**Profit and Loss Account for the Year Ended 31st Dec., 2007**

	Schedule	For the year ended	For the year ended
		31st Dec, 2007	31st Dec, 2006
		Rs. In Lacs	Rs. In Lacs
<b>Income</b>			
Income from Operations		1,082	601
Other Income	I	2	2
		<u>1,084</u>	<u>603</u>
<b>Expenditure</b>			
(Increase)/Decrease in stocks	J	(140)	(80)
Cost of Materials	K	415	174
Manufacturing Expenses	L	205	149
Salaries, Wages & Employee Benefits	M	243	139
Administrative and Selling Expenses	N	264	177
Interest	O	29	19
		<u>1,016</u>	<u>577</u>
Profit before Depreciation and Tax		68	26
Depreciation	E	24	23
Profit before Tax		44	3
Less: Provision for Taxation		3	-
Profit after Tax		41	3
Add: Balance brought forward from last year		(16)	(19)
Profit available for Appropriation		25	(16)
Surplus carried to Balance Sheet		<u>25</u>	<u>(16)</u>
<b>Basic and Diluted Earning per share of Euro 1/- each</b>			
Before Extraordinary Items (Euro)		0.14	0.01
After Extraordinary Items (Euro)		0.14	0.01
Significant Accounting Policies and Notes on account schedule referred to above form an integral part of the account	P		

For and on behalf of the Board

sd/-  
**A. D. Gala**  
Director

sd/-  
**Dilip Sampat**  
Director

sd/-  
**G. D. Gala**  
Director

Mumbai : 25th March, 2008



## Schedules forming part of the Balance Sheet

	Rs. In Lacs	As at 31st Dec, 2007 Rs. In Lacs	As at 31st Dec, 2006 Rs. In Lacs
<b>SCHEDULE A : SHARE CAPITAL</b>			
Issued, Subscribed & Paid Up :			
5,03,600 Equity Shares of Euro 1/- each		292	294
<b>Total</b>		<u>292</u>	<u>294</u>
<b>SCHEDULE B : RESERVES &amp; SURPLUS</b>			
Exchange Fluctuation on Translation		(16)	(16)
<b>Surplus as per Profit and Loss Account</b>		<b>25</b>	<b>(16)</b>
<b>Total</b>		<u>9</u>	<u>(32)</u>
<b>SCHEDULE C : SECURED LOANS</b>			
<b>Loans from Banks :</b>			
Working capital borrowings			
– Local Currency Loans (secured by bank guarantee of parent Company)	479		276
		479	276
<b>Total</b>		<u>479</u>	<u>276</u>
<b>SCHEDULE D : UNSECURED LOANS</b>			
Other Loans & Advances			
Inter Corporate Deposits	203		156
		203	156
<b>Total</b>		<u>203</u>	<u>156</u>

**SCHEDULE E : FIXED ASSETS**

Sr. No.	Description of Assets	Gross Block			Depreciation / amortization				Net Block		
		Cost as on 31.12.2006	Additions during the year	Deduction/ adjustment	Cost as on 31.12.2007	Provided upto 01.01.2007	For the year	Deductions/ adjustment	Total upto 31.12.2007	Ason 31.12.2007	Ason 31.12.2006
1	Intellectual Property	203	--	--	203	29	20	--	49	153	174
2	Plant & Machinery	2	--	--	2	0	0	--	0	1	1
3	Office Equipment	8	5	--	14	2	3	--	5	9	7
4	Furniture & Fixtures	7	3	--	10	1	1	--	2	8	6
5	Vehicles	1	--	--	1	0	0	--	0	0	0
	<b>Total</b>	<b>221</b>	<b>8</b>	<b>--</b>	<b>228</b>	<b>32</b>	<b>24</b>	<b>--</b>	<b>56</b>	<b>172</b>	<b>189</b>
	Previous Year	214	7	--	221	9	23	--	32	189	--

**Notes :**

Difference in previous year closing Gross Block and current year opening Gross Block is due to translation of Foreign Currency amounts at the closing rate of the respective year.

	Rs. In Lacs	As at 31st Dec, 2007 Rs. In Lacs	As at 31st Dec, 2006 Rs. In Lacs
<b>SCHEDULE F : INVESTMENTS</b>			
<b>CURRENT INVESTMENTS</b>			
Long Term Financial Investments	16		16
Temporary Financial Investments (Bonds)	<u>0</u>		<u>38</u>
		16	<u>54</u>
<b>Aggregate Book Value Investments Total</b>		<u><u>16</u></u>	<u><u>54</u></u>

## Schedules forming part of the Balance Sheet

## NAVNEET PUBLICATIONS (INDIA) LIMITED

	Asat 31st Dec., 2007	Asat 31st Dec., 2006
	Rs. In Lacs	Rs. In Lacs
<b>SCHEDULE G : CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
Current Assets		
Inventories		
Stores Spares & Consumables		
Raw Materials	34	15
Finished Goods	344	227
Work In Process	<u>22</u>	<u>-</u>
	400	<u>242</u>
Sundry Debtors (Unsecured considered good)		
Over six months	5	4
Others	<u>677</u>	<u>358</u>
	682	<u>362</u>
Cash and Bank Balances		
Cash on hand	0	0
Balance with Scheduled Banks In Current Account	<u>16</u>	0
	16	0
<b>TOTAL</b>	<u><u>1,099</u></u>	<u><u>604</u></u>
<b>SCHEDULE H : CURRENT LIABILITIES AND PROVISIONS</b>		
Current Liabilities		
Sundry Creditors	336	176
Other Liabilities	<u>4</u>	<u>24</u>
	340	<u>200</u>
<b>TOTAL</b>	<u><u>340</u></u>	<u><u>200</u></u>

## Schedules forming part of the P & L Account

## Grafalco Ediciones S. L.

	For the Year Ended 31st Dec, 2007	For the Year Ended 31st Dec, 2006
	Rs. In Lacs	Rs. In Lacs
<b>SCHEDULE I : OTHER INCOME</b>		
Miscellaneous Income	0	2
Interest & Financial Income	<u>2</u>	<u>-</u>
<b>TOTAL</b>	<u><u>2</u></u>	<u><u>2</u></u>
<b>SCHEDULE J : (INCREASE)/DECREASE IN STOCK</b>		
Closing Stock		
Work In Process	22	-
Finished Goods	<u>344</u>	<u>227</u>
	366	227
Opening Stock		
Finished Goods	<u>227</u>	<u>147</u>
<b>TOTAL</b>	<u><u>(140)</u></u>	<u><u>(80)</u></u>
<b>SCHEDULE K : COST OF MATERIAL</b>		
Raw Materials Consumed	193	130
Purchase of Finished / Trading Goods	<u>222</u>	<u>44</u>
<b>TOTAL</b>	<u><u>415</u></u>	<u><u>174</u></u>
<b>SCHEDULE L : MANUFACTURING EXPENSES</b>		
Printing Expenses	80	51
Binding Expenses	51	51
Other Manufacturing Expenses	<u>74</u>	<u>47</u>
<b>TOTAL</b>	<u><u>205</u></u>	<u><u>149</u></u>
<b>SCHEDULE M : SALARIES, WAGES &amp; EMPLOYEE BENEFITS</b>		
Salaries, Wages & Bonus	185	106
Staff Welfare	<u>58</u>	<u>33</u>
<b>TOTAL</b>	<u><u>243</u></u>	<u><u>139</u></u>

## Schedules forming part of the P & L Account

## NAVNEET PUBLICATIONS (INDIA) LIMITED

	For the Year Ended 31st Dec, 2007	For the Year Ended 31st Dec, 2006
	Rs. In Lacs	Rs. In Lacs
<b>SCHEDULE N : ADMINISTRATIVE &amp; SELLING EXPENSES</b>		
Rent	47	34
Other Repairs	5	6
Insurance	3	2
Transportation Expenses	53	31
Commission	27	16
Advertisement	0	-
Marketing Expenses	37	29
Sales Promotion Expenses	4	3
Preliminary Expenses written off	12	1
Bank Charges	7	4
Other Expenses	70	52
<b>TOTAL</b>	<u>264</u>	<u>177</u>
<b>SCHEDULE O : INTEREST</b>		
Others	29	19
<b>TOTAL</b>	<u>29</u>	<u>19</u>

# “GRAFALCO EDICIONES, S.L. UNIPERSONAL SOCIETY”

## BRIEF ANNUAL REPORT CORRESPONDING TO THE CLOSED EXERCISE THE 31st OF DECEMBER OF 2007

### I. NATURE AND MAIN ACTIVITY:-

“GRAFALCO EDICIONES, S.L. UNIPERSONAL SOCIETY” (in ahead, the Society) constituted as a limited society on 8 of February of 2005, by a period of indefinite time that the principal business activity is to publish, import, export, distribute and, buying and selling children’s books.

### II. BASIS OF PRESENTATION:

In fulfilment to the current legislation, the Board of Directors of the Company has formulated the attached annual accounts to the purpose of showing the accuracy of the entity, to the financial situation and the results of the Company.

The mentioned annual books of accounts has been prepared from the existing accounting records and they are formulated expressing its values in euros. The same is converted to INR for presentation in this report.

The Board of Directors of the Company have taken into consideration that the books of accounts, the closed financial year 31st of December of 2007 will be approved without significant variations by the sole partner of the Company.

### III. DISTRIBUTION OF RESULTS:

It come to propose the distribution of profit of INR 41 Lac (i.e. Euro 70,615) in following manner :

- a) INR 4 Lac (i.e. Euro 7,061) for legal reserve.
- b) INR 32 Lac (i.e. Euro 55,572) to compensate total losses of previous financial results.
- c) INR 5 Lac (i.e. Euro 7,982) for unallocated income.

### IV. NORMS OF VALUATION:

The main norms of valuation used by the Company in the elaboration of its annual accounts for exercise 2007, in accordance with the established by Spanish General Accounting Standards, and other applicable legislation, have been the following:

#### A) EXPENSES OF ESTABLISHMENT (START-UP EXPENSES)

This segment basically gathers the expenses of constitution, increase in capital and are accounted 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 (INTANGIBLE ASSETS)

Intangible Assets essentially consist of copyright, it is 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 (TANGIBLE FIXED ASSETS)

Tangible fixed assets are valued to the acquisition cost and they are amortized linearly based on its considered life utility as of the moment its used in operation. The life utility considered by each category as follows:

Type	Years
Furniture	10
Information Equipment	4
Machinery	8
Other Installation	10

**D) EXISTENCE(STOCKS/INVENTORY):**

The Stocks are valued on the criteria established under the norms of valuation of general accounting plan. The Finished goods are valued on average production cost.

**E) NonCOMMERCIAL DEBTS (NON TRADE PAYABLES):**

The non commercial debts are registered by the value of reimbursement. In the balance non-commercial debts by a value of INR 203 Lac (i.e.Euro 350,000) consist, amounts that have been lent by the matrix Navneet Publications (India) Limited. Out of which INR 116 Lac (i.e.Euro 200,000) are for long term and INR 87 Lac ( i.e.Euro 150,000) are for short term.

**F) TAX OF SOCIETIES (COMPANY INCOME TAX):**

Corporate Income Tax Expense amounts to INR 3 Lac (i.e.Euro 4,244), which includes all outstanding tax amounts. The Company has implemented tax incentives which are given for a small Company.

**G) 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 (OWNER'S EQUITY) :**

On 31st of December of 2007 the share capital is made up of FIVE HUNDRED THREE THOUSAND SIX social participation of ONE EURO of nominal value each one of them. All the constituent participation of the subscribed capital enjoy such right.

**VI. REMUNERATIONS AND BENEFITS TO THE MEMBERS OF BOARD OF DIRECTORS:**

During the present exercise repayments for benefits to the members of the Board of Directors of the Company 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 appropriate measures in relation to the protection and improvement of the environment and the minimization, in its case, of the environment impact.

Mumbai, 25 of March of 2008.

Signed : \_\_\_\_\_

**Mr. Dilip C. Sampat**

Signed : \_\_\_\_\_

**Mr. Anil D. Gala**

Signed : \_\_\_\_\_

**Mr. Gnanesh D. Gala**

Mumbai, 25th March, 2008











**NAVNEET PUBLICATIONS (INDIA) LIMITED**

**Registered Office :** Navneet Bhavan, Bhavani Shankar Road, Dadar (West), Mumbai – 400028.

**ATTENDANCE SLIP**

Twenty - Second Annual General Meeting - Thursday, 31<sup>st</sup> July 2008

**Please fill in this Attendance Slip and hand it over at the entrance of the meeting hall.** Joint Shareholders may obtain additional Attendance Slip on request.

Master Folio No. \_\_\_\_\_ No.of Shares Held \_\_\_\_\_

DPID \_\_\_\_\_ Client ID \_\_\_\_\_

Mr. / Ms. / Mrs \_\_\_\_\_

Address \_\_\_\_\_

I hereby record my presence at the TWENTY- SECOND ANNUAL GENERAL MEETING of the Company held on Thursday, 31<sup>st</sup> July 2008 at 3.30 p.m. at Textile Committee Auditorium, Textile Committee Building , P. Balu Road, Near Tata Press, Prabhadevi Chowk, Mumbai – 400025.

(Proxy’s Name in Block Letters)

(Member’s / Proxy’s Signature #)

# Strike out whichever is not applicable

-----TEAR HERE-----

**NAVNEET PUBLICATIONS (INDIA) LIMITED**

**Registered Office :** Navneet Bhavan, Bhavani Shankar Road, Dadar (West), Mumbai – 400028.

**PROXY FORM**

Client ID \_\_\_\_\_

DPID \_\_\_\_\_

Master Folio No. \_\_\_\_\_

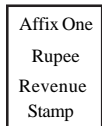
I/We \_\_\_\_\_ of \_\_\_\_\_ being a member/members of Navneet Publications (India) Limited hereby appoint \_\_\_\_\_

of \_\_\_\_\_ or failing him/her \_\_\_\_\_

of \_\_\_\_\_ as my/our proxy to attend and vote for me/us and on my/our behalf at the Twenty-Second Annual General Meeting of the Company to be held on Thursday, 31<sup>st</sup> July 2008 at 3.30 p.m.

and at any adjournment(s) thereof.

Signed on this..... day of ..... 2008.



**NOTE : The proxy form in order to be effective should be duly completed and deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.**







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