

**ANNUAL
REPORT
2006-2007**



For NATIONAL PLYWOOD INDUSTRIES LTD.

A handwritten signature in black ink, appearing to be a stylized name, positioned above the word "DIRECTOR".

DIRECTOR

NATIONAL PLYWOOD INDUSTRIES LIMITED

NATIONAL PLYWOOD INDUSTRIES LIMITED

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NATIONAL PLYWOOD INDUSTRIES LIMITED

BOARD OF DIRECTORS :

M. PERIWAL UPTO 29.1.07

P. PERIWAL

Vice Chairman & Managing Director

V. K. PERIWAL

S. K. CHANDAK, w.e.f. 29.1.07

D. K. KHATAI, w.e.f. 30.6.07

NEETASINHA R. SAINI, w.e.f. 30.6.07

Director

AUDITORS :

JHUNJHUNWALA & CO.

KOLKATA

BANKERS :

STATE BANK OF INDIA

STATE BANK OF MYSORE

ICICI BANK LTD.

LAKSHMI VILAS BANK LTD.

REGISTERED OFFICE :

MAKUM ROAD, TINSUKIA 786 125

ASSAM

HEAD OFFICE :

5, FANCY LANE

KOLKATA 700 001

SHARE DEPARTMENT :

5, FANCY LANE, 7TH FLOOR

KOLKATA 700 001

WORKS :

PLYWOOD DIVISION

- MAKUM ROAD, TINSUKIA 786 125
ASSAM
- MAKUM PATHAR, MARGHERITA 786 181
ASSAM

LAMINATES DIVISION

- THALLY ROAD, KALUKONDAPALLI
DISTRICT : DHARMAPURI
HOSUR, TAMILNADU
- GAYESHPUR, KULIA ROAD
KALYANI, DISTRICT : NADIA
WEST BENGAL

NATIONAL PLYWOOD INDUSTRIES LIMITED

DIRECTORS' REPORT

Your Directors have pleasure in presenting their Annual Report with Audited Statement of Accounts of the Company for the year ended 31st March, 2007.

1. FINANCIAL RESULTS :

	<u>2006-07</u> (Rs.)	<u>2005-06</u> (Rs.)
Profit (Loss) as per Profit & Loss A/c.	(1,24,40,864)	(2,06,58,131)
Add : Loss brought forward from previous period	<u>(89,78,21,091)</u>	<u>(87,71,62,960)</u>
Loss carried to Balance Sheet	<u>(91,02,61,955)</u>	<u>(89,78,21,091)</u>

During the year under review production was commenced at the Hosur Unit with fund infusion by the strategic investor. In March, 2007 the creditors and suppliers of the unit were settled on a one time basis and fresh raw material was obtained to restart the plant. After complete overhaul and maintenance of the plant which was closed for a long time, production trials were undertaken in June, 2007 and commercial production was started in July, 2007. New distributors and dealers were appointed and a fresh marketing network was set up in all the important selling areas. Old dealers and customers were re-activated and sales commenced from July, 2007 and the volumes are gradually increasing.

The arrears due to the employees of the unit were also settled and an installment schedule was fixed to enable smooth working.

Statutory liabilities in Assam, Tamilnadu, Bangalore and Kolkata towards the respective P.F. Authorities and others were settled and are being paid as per agreed installment schedule.

During the year your Directors have foregone their meeting fees in view of the continued losses suffered by the Company.

2. B.I.F.R. :

The Company's application dated 20/02/2003 before the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) has been registered as Case No. 259/2003 and the date of hearing was fixed by the Hon'ble BIFR on 18/04/2006. Considering the facts on records, in the said hearing the Bench of the Hon'ble BIFR declared the Company as a SICK Industrial Company in terms of Section 3(1)(0) of the Act. The Bench appointed Industrial Development Bank of India (IDBI) as the Operating Agency (O/A) under section 17(3) of the Act, with direction to prepare a Rehabilitation Scheme, if feasible, based on the proposal of the Company, keeping in view of the provisions of Section 18 of the Act. The Draft Rehabilitation Scheme (DRS) prepared under consultation with the Operating Agency (O/A) has been submitted to the Hon'ble BIFR on 31/05/2007 and the Company has paid sum of Rs. 475 Lakhs till 31/03/2007 on Account of One Time Settlement (OTS) to the Secured Creditors/Lenders.

As part of the sacrifice for revival of the Company, Shri M. L. Periwal, the promoter-Director has decided to sell/transfer the '**National**' Brand to the Company at cost arrived at after independent

NATIONAL PLYWOOD INDUSTRIES LIMITED

valuation of the Brand. This is subject to the Hon'ble BIFR approving the Scheme and equivalent shares of Rs. 10/- Face Value at a premium of Rs. 5/- each, will be issued to Shri M. L. Periwal and/or his nominee(s) in lieu of the above.

3. CASH FLOW STATEMENT

Cash Flow Statement signed on behalf of the Board of Directors and certified by the Auditors forming part of the Balance Sheet and Profit and Loss Account is also annexed as required under the Listing Agreement.

4. DIRECTORS

Shri Madan Lal Periwal, Director has resigned from Board due to his continued ill health. The Board has accepted his resignation with great regret on 29/01/2007. The Board place on record the valuable guidance and services rendered by Shri M. L. Periwal, one of founder Directors of the Company, under whose stewardship the Company has achieved immense progress.

Shri Suresh Kr. Chandak of New Delhi has been appointed as an Additional Director of the Company to fill the vacancy caused by the resignation of Shri M. L. Periwal.

To broad base the strength of the Board of Directors of the Company, two more eminent persons have been appointed as Independent Additional Directors of the Company by Board on 30/06/2007, namely Shri Dilip Kr. Khatai of Bhubaneswar, and Smt. Neetasinha R. Saini of Mumbai. As all the three Additional Directors — Shri Suresh Kr. Chandak, Shri Dilip Kr. Khatai, and Smt. Neetasinha R. Saini are retiring at the ensuing Annual General Meeting of the Company. They are being eligible, offer themselves for re-appointment. The Company has received notice(s) from members proposing the candidatures of the aforesaid Additional Directors. Further, the Board has appointed Shri P Periwal as Vice-Chairman & Managing Director of the Company, w.e.f. 1st August, 2007.

Shri P Periwal, Director retires by rotation and being eligible, offers himself for reappointment. There was no other change(s) in the constitution of the Board of Directors of the Company during the year under review.

5. DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, the Board of Directors hereby state :

- a) That in the preparation of the Annual Accounts, the applicable accounting standards had been followed alongwith proper explanation 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 a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the year.

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- c) That the Directors have taken suitable and all possible care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) That the Annual Accounts have been prepared on the going concern basis.

6. AUDITORS

M/s. Jhunjhunwala & Company, Kolkata, Statutory Auditors of the Company, hold office until the conclusion of ensuing Annual General Meeting and are recommended for reappointment.

7. DEMATERIALISATION OF COMPANY'S EQUITY SHARES :

The Equity Shares of your Company are traded in demate mode compulsorily. Connectivity has been established with National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL). The ISIN No. allotted to the Company's Equity Share is INE 497C 01016. At present nearly 58% of the Equity Share are held in demate form. Members of the Company are requested to avail the demate facility.

8. LISTING OF SHARES :

The names & addresses of the Stock Exchanges where the Company's Equity Shares are listed is as under :

1. Bombay Stock Exchange Ltd.
Floor 25, Phiroze Jeejeebhoy Tower, Dalal Street, Mumbai - 400 001
2. The Calcutta Stock Exchange Association Ltd.
7, Lyons Range, Kolkata - 700 001
3. The Guwahati Stock Exchange Ltd.
Saraf Building Annexe, A. T. Road, Guwahati - 781.001, Assam.

The Company has not cleared the Listing Fees for the year to the Calcutta and Guwahati. Stock Exchanges till date due to the acute financial crisis.

9. CORPORATE GOVERNANCE :

Your Company has adopted the principles of good Corporate Governance. A separate Section on Corporate Governance is included in the Annual Report, in terms of Clause 49 of the Listing Agreement.

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10. TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO.

There is no information to submit in respect of absorption of technology. The Company has not earned and/or spent any foreign exchange during the year under review.

11. PERSONNEL :

None of the employees of the Company receive remuneration attracting provision of Section 217(2A) of the Companies Act. 1956, read with the Companies particulars of employees rule 1975, as amended.

Acknowledgement :

Your Directors would like to express their appreciation for the assistance and co-operation received from Banks, Financial Institutions, Government Agencies, Customers and Employees during the year under review.

Head Office :
5, Fancy Lane
Kolkata - 700 001
Dated : 24th August, 2007.

For and on behalf of the Board

P. Periwal
(Vice-Chairman & Mg. Director)

NATIONAL PLYWOOD INDUSTRIES LIMITED

CORPORATE GOVERNANCE REPORT

(As required by Clause 49 of the Listing Agreement of the Stock Exchange)

Company's Philosophy on code of Governance

The Board has adopted the principles of good Corporate Governance in line with the requirements of Clause 49 of the Listing Agreement entered into by the Company with Stock Exchange(s). The Company aims to achieve transparency by making adequate disclosures.

Board of Directors :

a) Composition :

The Company's Board presently comprises of 5 Directors, out of which 1 is Executive Director and 4 are Non-Executive & Independent Directors (NED).

None of the Directors on the Board is a Member of more than 10 committees or Chairman of more than 4 Committees [as per the Clause 49(IV)(B)] across all the companies in which he is a Director. All the Directors have made requisite disclosures regarding committee positions occupied by them in other companies.

During the year 3 new Directors namely – Mr. S. K. Chandak, New Delhi, Mr. Dilip Kr. Khatai, Bhubaneswar, and Mrs. Neetasinha R. Saini, Mumbai were appointed as Independent & Non-Executive Directors.

b) Number of Board Meetings :

The Board meet five times on the following dates during the financial year 2006-2007 on 28th April 2006, 28th July, 2006, 16th August, 2006, 27th October, 2006 and 29th January, 2007.

c) Directors' attendance record and directorship held :

Name	Category	No. of Board Meetings Attended	Whether Attended last AGM held in Sept. 2006	No. of Directorship held in other Indian Public Limited Companies	No. of Committee* Positions held in other Indian Public Limited Companies	Chairman	Member
Mr. M. L. Periwal (Resigned w.e.f. 29/01/2007)	Chairman	4	No.	2	1		3
Mr. P. Periwal	Vice-Chairman	4	Yes	2	1		3
Mr. V. K. Periwal	Non-Executive	1	No.	0	0		0
Mr. S. K. Chandak (w.e.f. 29/01/2007)	Independent	1	No.	1	0		1
Mr. D. K. Khatai (w.e.f. 30/06/2007)	Independent						
Mrs. Neetasinha R. Saini (w.e.f. 30/06/2007)	Independent						

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d) **Information required under Clause 49 IV-G of the Listing Agreement :**

The particulars of Directors, who are proposed to be appointed/re-appointed at the ensuing Annual General Meeting are given below pursuant to Clause 49 of the Listing Agreement :

1) **Mr. Suresh Kumar Chandak**

Qualification - B. Com

Experience - Has obtained 35 years' of experience in Corporate Laws, Administration, and Marketing.

Other Directorship –

(i) National Boards Ltd.

(ii) Suraj Lamps & Industries (P) Ltd.

(iii) Raj Vikas Quarries & Industries (P) Ltd.

Other Membership –

National Boards Ltd. – Audit Committee Member.

Mr. S. K. Chandak is the member of Audit Committee, Share Transfer Committee and Chairman of Remuneration Committee of the Company.

Mr. Suresh Kumar Chandak holds 200 Equity Shares in the Company.

2) **Mr. Dilip Kumar Khatai**

Qualification - Graduate

Experience/Expertise – Has got vast experience in construction, real estate, finance and expertise in this line of business since last 28 years.

Other Directorship –

(i) Arunachal Saw & Veneer Mills Ltd.

(ii) Shilpa-Seema Constructions Pvt. Ltd.

Other Membership – None

Mr. Dilip Kumar Khatai holds 200 Equity Shares in the Company.

3. **Mrs. Neetasinha R. Saini**

Qualification - B.A.

Experience – Has got 28 years experience in marketing and publicity line of business.

Other Directorship – None

Other Membership – None

Mrs. Neetasinha R. Saini holds 200 Equity Shares in the Company.

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4. Mr. Piyush Periwal

Qualification - B. Com. (Hons.)

Experience – Mr. P. Periwal has obtained more than 25 years' of experience in Plywood & laminate business, finance & marketing.

Other Directorship –

(i) National Boards Ltd.

(ii) Arunachal Saw & Veneer Mills Ltd.

Other Membership –

National Boards Ltd. – Audit Committee, Share Transfer Committee.

Mr. P. Periwal is the Chairman of the Audit Committee, Member of Share Transfer and Shareholders/Investors Grievance Committee, and Remuneration Committee of the Company.

Mr. P. Periwal is holding 2,58,425 Equity Shares in the Company.

Audit Committee

a) Terms of Reference :

The Broad Terms of Reference of the Audit Committee are as follows :

1. To discuss and review the Quarterly/Half Yearly Unaudited Report prepared by Internal Audit Department.
2. To discuss half yearly and Annual Financial Results of the Company and submit the observation to the Board of Directors.
3. To interact with statutory Auditor on the Annual Accounts and other accounting matters.
4. To ensure compliance of internal control systems.

b) Composition, Name of Members and Chairman :

The Audit Committee of the Company as on 31st March 2007 comprised of Three Members namely: Mr. M L Periwal and Mr. P. Periwal, Directors and independent members.

Mr. M. L. Periwal – Chairman, up to 29/01/2007

Mr. P. Periwal

Mr. S. K. Chandak, w.e.f. 29/01/2007.

Mr. L. K. Surolia

c) Meetings and attendance during the year :

The Committee met five times during the financial year ended 31st March 2007 on the following dates :

28th April, 2006, 28th July 2006, 16th August, 2006, 27th October, 2006 and 29th January,

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2007. Mr. M. L. Periwal was granted leave of absence in respect of meeting held on 29th January, 2007. This apart, all the Committee Members on the relevant dates of the respective meetings were present in all the four meetings.

Share Transfer and Shareholders/Investors Grievance Committee :

The Committee approves and monitors transfer, transmission, splitting and consolidates of share issued by the Company. The Committee also monitors redresses/replies to investors' complaints, queries and requests relating to transfer of shares, non-receipt of annual reports, etc.

Composition of Committee :

Mr. P. Periwal – Chairman

Mr. S. K. Chandak – appointed on 29/01/2007.

Mr. S. K. Jain

Mr. V. K. Periwal – resigned from the Committee w.e.f. 19/09/2006.

The Committee met five times during the financial year ended on 31st March, 2007 on the following dates :

On 17/05/06, 19/09/06, 27/11/06, 03/01/07, and 25/01/07.

Mr. P. Periwal and Mr. S. K. Jain attended all 5 meetings. Mr. V. K. Periwal attended in the Committed meeting on 17/05/2006.

Mr. P. Periwal and Mr. S. K. Jain were severally authorized to approve share transfer work up to one percent of paid up capital for each case. The power to approve share transfers request of more than one percent of paid up capital for each has been given to the Committee.

All share transfer applications received up to 30th March 2007 have been processed.

During the year ended 31st March 2007 the Company received 6 complaints/queries from share-holders/investors, apart from these complaints, 8 other letters were received, which were suitably replied. Only one complaint of a shareholder is pending due to want of his compliance of certain formalities.

Compliance Officer : Mr. S. K. Jain

Remuneration Committee :

The Remuneration Committee comprises of :

Mr. M. L. Periwal, Chairman & Mg. Director. – since resigned w.e.f. 29/01/2007.

Mr. P. Periwal, Vice-Chairman

Mr. S. K. Chandak – appointed w.e.f. 29/01/2007

Mr. V. K. Periwal, Member

The broad terms of reference of Remuneration Committee are to determine on behalf of the Board and on behalf of Shareholders with agreed terms of reference, the Company's policy on specific remuneration package(s) for Managing Director and other Directors. Mr. M. L. Periwal has resigned and Mr. S. K. Chandak was admitted as new Member w.e.f. 29/01/2007 and he was appointed as Chairman.

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The Committee met once during the financial year 2006-2007 on 28th July, 2006.

The remuneration of the Non-Executive Directors (NEDs) of the Company is decided by the Board of Directors of Company. The NED were not paid remuneration by way of remuneration and the Directors have waived sitting fees of Rs. 1,500/- for each meeting of the Board and its Committees attended by them.

General Body Meetings :

Location, date and time of General Meetings held during the last 3 years :

Year	Location	AGM/ EGM	Date	Day	Time	No. of Special Resolutions Passed
2003-2004	Regd. Office, at Makum Road Tinsukia-786125 (Assam)	EGM	20/07/04	Tuesday	11.30 A.M.	One
2003-2004	Regd. Office, at Makum Road Tinsukia-786125 (Assam)	AGM	29/09/04	Wednesday	2.30 A.M.	One
2004-2005	-do-	AGM	29/09/05	Thursday	2.30 P.M.	One
2005-2006	-do-	AGM	27/09/06	Wednesday	2.30 P.M.	None
2006-2007	-do-	AGM	28/09/07	Friday	2.30 P.M.	None

None of the Resolutions were put through postal ballot.

Disclosures :

(i) Related Party Transactions :

Related party transactions i.e. transactions of the Company of a material nature, with its Promoters, the Directors of the Management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.

The Company does not have related party transactions, which may have potential conflict with its interest at large.

(ii) Statutory compliance, penalties and strictures :

The Company has complied with the requirements of the Stock Exchange(s)/SEBI and/or Statutory Authority on all matters related to capital markets during last 3 years.

General Shareholder Information :

Annual General Meeting

Date and time	:	28th September 2007 at 2.30 P.M.
Venue	:	Regd. Office at Makum Road, Tinsukia-786125, Assam
Financial Calendar	:	Year Ending — 31st March, 2008

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Quarterly Results	:	First Quarter	—	4th week of July 2007
		Second Quarter	—	4th week of October 2007
		Third Quarter	—	4th week of January 2008
		Fourth Quarter	—	4th week of April 2008
Date of Book closure	:	24th September 2007 to 28th September 2007. (Both days inclusive)		
Dividend Date	:	Not applicable.		
Listing on Stock Exchanges	:	(i) Bombay Stock Exchange Limited (ii) The Calcutta Stock Exchange Association Ltd. (iii) The Gauhati Stock Exchange Ltd.		

Note : Annual Listing fees for the year 2006-07 have been paid to Bombay Stock Exchange Limited only and as regards to other two Stock Exchanges, the Company could not pay the same due to paucity of fund.

Demat ISIN in NSDL & CDSL : INE497C01016

Share Transfer System :

Share Transfer in physical form can be lodged with the Head Office of the Company —

National Plywood Industries Ltd.

5, Fancy Lane, 7th Floor, Kolkata - 700 001

The transfers are normally processed within 15 to 30 days from the date of receipt, if the documents are complete in all respects.

Dematerialization of shares and liquidity :

58% of the Company's Equity Shares capital is dematerialized as on 31/03/2007. The Company's shares are traded on Bombay Stock Exchange Limited and sporadically traded on other Stock Exchanges.

Plant Locations :

- (i) Makum Road, Tinsukia-786 125, Assam.
- (ii) Makum Pathar, Margherita, Assam
- (iii) Industrial Growth Centre, Gayeshpur, Kalyani, West Bengal
- (iv) Kalukondapally, Hosur, Tamilnadu.

Shareholders correspondence may be addressed to the Head Office of the Company at –
5, Fancy Lane, 7th Floor, Kolkata - 700 001, for the attention of Mr. S. K. Jain, Compliance Officer.

Non-Mandatory Requirements :

The Non-Executive Directors are entitled to reimbursement of expenses incurred in performance of their duties. The Company has already set up a remuneration Committee. The Company shall adopt postal ballot system, where compulsory, under the Companies Act, 1956. The other suggestions have not yet been adopted.

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AUDITORS' CERTIFICATE OF COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT(S).

TO THE MEMBERS OF NATIONAL PLYWOOD INDUSTRIES LIMITED.

We have examined the compliance of conditions of Corporate Governance by NATIONAL PLYWOOD INDUSTRIES LIMITED (the Company) for the year ended 31st March, 2007, as stipulated in clause 49 of the listing agreement of the said company with the Stock Exchange(s) in India.

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

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

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we state that as per records maintained by the Shareholders/Investor Grievance Committee based on reports furnished by the Share Transfer Register of the Company to the said Committee, there was no investors grievance matter pending for a period exceeding one month against the Company as on 31st March, 2007.

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 JHUNJHUNWALA & COMPANY
Chartered Accountants

R. K. JHUNJHUNWALA
Proprietor
Membership No. 6604

6, Commercial Building
23, Netaji Subhas Road
Kolkata - 700 001
Dated : 24th August, 2007.

NATIONAL PLYWOOD INDUSTRIES LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the attached Balance Sheet of M/s. National Plywood Industries Limited as at 31st March, 2007 and the Profit & Loss Account of the Company for the year ended on that date annexed thereto and cash flow statement for the period ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Manufacturing and Other Companies (Auditor's Report) Order 1988, issued by the Company Law Board, Government of India, in terms of section 227 (4A) of the Companies Act, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.
3. Further to our comments in the Annexure referred to in paragraph (1) above :
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper Books of Accounts as required by law have been kept by the Company so far as appears from our examination of those books.
 - c) The Balance Sheet and Profit & Loss Account are in agreement with the Books of Account.
 - d) In our opinion, these accounts have been prepared in compliance with the applicable Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956 except for provision for gratuity as indicated in Note No. 9 of Schedule P.
 - e) In the absence of any representation from the Directors, we are unable to comment as to their compliance under section 274(1)(g) of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us and read together with the notes appearing in Schedule 'P', the said accounts give the information required by the Companies Act, 1956 (as amended) in the manner so required and give a true and fair view :
 - i) In case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007. and
 - ii) In the case of the Profit & Loss Account, of the loss of the Company for the year ended on that date.

6, Commercial Building
23, Netaji Subhas Road
Kolkata - 700 001
Dated : 24th August, 2007

For JHUNJHUNWALA & COMPANY
Chartered Accountants
R. K. JHUNJHUNWALA
Proprietor
Membership No. 6604

NATIONAL PLYWOOD INDUSTRIES LIMITED

ANNEXURE TO THE AUDITORS' REPORT

Schedule referred to in paragraph 1 of our Report of even date

1. (a) The Company has maintained proper records to show full particulars including quantitative details and location of its fixed assets.
(b) All fixed assets except those located at factories in Assam have been physically verified by the management according to the regular programme of periodical verification in a phased manner which in our opinion is reasonable having regard to the size of the Company and the nature of the fixed assets.
(c) None of the fixed assets have been revalued during the year.
2. The management has conducted physical verification at adequate intervals in respect of stocks of the finished goods, semi-finished goods, stores, spare parts and raw materials at all its locations except those located at factories in Assam and stock of timber lying in the ponds which are included in the inventory on the basis of the pond register maintained.
3. In our opinion the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of the business.
4. The discrepancies noticed on verification between the physical stocks and book records were not material and have been properly dealt with in the books of account.
5. In our opinion and on the basis of our examination of the stock records, the valuation of stock of finished goods, semi-finished goods, stores, spare parts and raw materials are fair and proper and in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
6. The Company has not taken any loans from companies, firms or other parties listed in the register maintained under Section 301 and 370 (1-B) of the Companies Act, 1956. The provisions of Section 370 (1-B) of the Act are not applicable to the Company on and after 31st October, 1998.
7. The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 and 370 (1-B) of the Companies Act, 1956. The provisions of Section 370 (1-B) of the Act are not applicable to the Company on and after 31st October, 1998.
8. The principal amount and interest wherever applicable thereon in respect of loans and /or advances of the nature of loans given by the Company to bodies corporate, employees and others have been recovered regularly as stipulated.
9. In our opinion and according to the information and explanations given to us, internal control procedures for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets, and for the sale of goods are commensurate with the size of the Company and nature of its business.

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10. In our opinion, the transactions of purchase of goods and materials and sale of goods and materials made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party were made at prices which were reasonable having regard to the prevalent market price for such goods or materials or the prices at which transaction for similar goods or materials were made with other parties.
11. The Company has a regular procedure for determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on items so determined.
12. The Company has not accepted any deposits from the public as stipulated under the provisions of Section 58A of the Companies Act, 1956 and rules framed there under.
13. The scrap generated during the period is not significant and the Company has no by-products.
14. The Company has an adequate internal control system commensurate with the size and nature of its business.
15. The Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 for the products of the Company.
16. According to the records of the Company, Provident Fund and Employees State Insurance dues have generally been deposited during the year with the appropriate authorities and in some cases irregularities have been noticed.
17. There are no undisputed amounts of Income Tax, Custom duty and Excise duty outstanding as on 31st March, 2007 for a period of more than six months from the date they became payable.
18. During the course of our examination of books of accounts carried out in accordance with generally accepted auditing practices, we have not come across any personal expenses which has been charged to the Profit & Loss Account.
19. The Company is a sick industrial company, within the meaning of clauses 3 (1) (0) of the Sick Industrial Companies (Special Provisions) Act, 1985.
20. In respect of the Company's activities, we are informed that there are no damaged stocks.

6, Commercial Building
23, Netaji Subhas Road
Kolkata - 700 001
Dated : 24th August, 2007.

For **JHUNJHUNWALA & COMPANY**
Chartered Accountants
R. K. JHUNJHUNWALA
Proprietor
(Membership No. 6604)

NATIONAL PLYWOOD INDUSTRIES LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule	AS AT 2006-2007		AS AT 2005-2006	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	A	5,85,37,500		5,85,37,500	
Reserves & Surplus	B	14,04,88,735	19,90,26,235	14,04,88,735	19,90,26,235
Loan Funds					
Secured Loans	C	53,01,40,116		55,32,86,483	
Unsecured loans	D	11,58,72,833	64,60,12,949	14,12,22,834	69,45,09,317
TOTAL			84,50,39,184		89,35,35,552
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	E	39,09,40,634		32,35,07,554	
Less : Depreciation		25,99,15,867		25,62,42,556	
Net Block		13,10,24,767		6,72,64,998	
Add : Capital Work-in-progress		25,08,827	13,35,33,594	25,08,827	6,97,73,825
Investments	F		1,00,000		1,00,000
Current Assets, Loans & Advances					
Inventories	G	5,16,98,679		5,32,52,249	
Sundry Debtors	H	63,89,423		1,03,46,682	
Cash & Bank Balances	I	1,57,70,993		18,33,822	
Loans, Advances & Deposits	J	3,56,18,701		3,78,43,283	
		10,94,77,796		10,32,76,036	
Less : Current Liabilities & Provisions	K	30,83,34,161		17,74,35,400	
Net Current Assets		30,83,34,161	(19,88,56,365)	17,74,35,400	(7,41,59,364)
Miscellaneous Expenditure (To the extent not written off or adjusted)					
Preliminary expenses					
Profit & Loss Account			91,02,61,955		89,78,21,091
TOTAL			84,50,39,184		89,35,35,552
Accounting Policies and Notes on Accounts					
	P				

The Schedules referred to above form an integral part of the Accounts.
This is the Balance Sheet referred to in our report of even date.

For **JHUNJHUNWALA & COMPANY**

Chartered Accountants

R. K. JHUNJHUNWALA

Proprietor

Membership No. 6604

Kolkata, Dated 24th August, 2007

P. PERIHAL

Vice Chairman & Managing Director

S. K. CHANDAK

Director

NATIONAL PLYWOOD INDUSTRIES LIMITED

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

	Schedule	Year ended 2006-2007	Year ended 2005-2006
		Rs.	Rs.
INCOME			
Sales		1,69,80,652	1,12,35,447
Other Income	L	5,155	2,10,402
Job Work		13,415	79,43,380
Sundry Balance written back (Net)		—	1,87,816
Creditors Liabilities no longer payable W/off		23,63,009	—
Accretion/(Decretion) in stocks		(10,53,767)	13,14,769
		<u>1,83,08,464</u>	<u>2,08,91,814</u>
EXPENDITURE			
Purchases		1,07,65,168	82,15,083
Raw Materials Consumed	M	—	22,79,875
Salaries, Wages & Other			
Employees' Benefits	N	85,37,373	96,78,457
Manufacturing, Administrative &			
Selling Expenses	O	76,44,995	1,26,41,332
Sundry Balance W/o (Net)		1,353	—
Central Excise Duty		—	—
		<u>2,69,48,889</u>	<u>3,28,14,747</u>
Profit/Loss before Interest & Depreciation		(86,40,425)	(1,19,22,933)
Interest		—	—
Depreciation		36,73,311	85,47,098
Loss Before Taxation		(1,23,13,736)	(2,04,70,031)
Fringe Benefit Tax		1,27,128	1,88,100
Loss after Tax		(1,24,40,864)	(2,06,58,131)
Loss brought forward from Last Year		(89,78,21,091)	(87,71,62,960)
Loss carried to Balance Sheet		<u>(91,02,61,955)</u>	<u>(89,78,21,091)</u>
Accounting Policies and Notes on Accounts	P		

The Schedules referred to above form an integral part of the Accounts.

This is the Profit & Loss Account referred to in our report of even date.

For **JHUNJHUNWALA & COMPANY**

Chartered Accountants

R. K. JHUNJHUNWALA

Proprietor

Membership No. 6604

Kolkata, Dated 24th August, 2007

P. PERIWAL

Vice Chairman & Managing Director

S. K. CHANDAK

Director

NATIONAL PLYWOOD INDUSTRIES LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2007

	AS AT 31.03.2007 Rs.	AS AT 31.03.2006 Rs.
A. SHARE CAPITAL		
Authorised		
2,50,00,000 (Previous year 2,50,00,000) Equity Shares of Rs. 10 each	<u>25,00,00,000</u>	<u>25,00,00,000</u>
Issued, Subscribed & Paid up -		
58,53,750 (Previous year 58,53,750) Fully paid up Equity Shares of Rs. 10 each. Of the above -	5,85,37,500	5,85,37,500
a) 1,00,000 Shares are allotted as fully paid up pursuant to a contract without payment being received in cash.		
b) 2,50,000 Equity Shares were allotted as fully paid up pursuant to the scheme of amalgamation to the shareholders of Pioneer Wood Products Ltd.		
c) 6,25,000 Equity Shares were allotted as fully paid up pursuant to the scheme of amalgamation to the share holders of Delta Panel Products Pvt. Ltd.		
d) 12,31,250 Equity Shares were allotted as fully paid up pursuant to the scheme of amalgamation to the shareholders of Pankaj Plywood Industries Pvt. Ltd.		
	<u>5,85,37,500</u>	<u>5,85,37,500</u>
B. RESERVES & SURPLUS		
General Reserve - As per Last Year	8,50,00,000	8,50,00,000
Capital Reserve :-		
Principal amount of secured loan settled under OTS	3,07,55,905	3,07,55,905
Share Premium Account	2,03,65,000	2,03,65,000
Capital Subsidy Account	15,00,000	15,00,000
Grant Received	20,00,000	20,00,000
Investment Allowance Reserve	8,67,830	8,67,830
	<u>14,04,88,735</u>	<u>14,04,88,735</u>

NATIONAL PLYWOOD INDUSTRIES LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2007

	AS AT 31.03.2007 Rs.	AS AT 31.03.2006 Rs.
C. SECURED LOANS		
a) Term Loan -		
From Financial Institutions	15,13,89,062	15,73,89,062
Interest accrued thereon	19,56,75,400	19,56,75,400
From Scheduled Banks		
b) Other Loans	8,30,331	14,76,698
c) Working Capital Loans		
From Scheduled Banks	18,22,45,323	19,87,45,323
	<u>53,01,40,116</u>	<u>55,32,86,483</u>

NOTES

Nature of Security :-

- i) Term Loans are partly secured by pari-passu first charge on the fixed assets of the Company & personal guarantee of some of the directors of the Company and partly by exclusive charge on the specific assets and personal guarantees of some of the directors of the Company.
- ii) Working Capital is secured by hypothecation of present and future stocks of raw materials, stock-in-process, finished goods, stores & spares, book debts and other moveable assets and personal guarantees of some of the directors of the Company.

D. UNSECURED LOANS

From Sundry Parties	7,81,40,030	10,34,90,031
Security Deposits	31,63,546	31,63,546
Sales Tax Deferments Loan	3,45,69,257	3,45,69,257
	<u>11,58,72,833</u>	<u>14,12,22,834</u>

SCHEDULE - E

SCHEDULE OF FIXED ASSETS AS AT 31ST MARCH, 2007

DESCRIPTION OF ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	TOTAL COST AS AT 01.04.2006	ADDITIONS DURING THE YEAR	SALES/ TRANSFER	TOTAL COST AS AT 31.03.2007	UP TO 31.03.2006	ADJUST- MENTS DURING THE YEAR	FOR THE YEAR	TOTAL	AS AT 31.03.2007	AS AT 31.03.2006
	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.
LAND & BUILDING	5,96,72,753	—	—	5,96,72,753	2,43,12,091	—	19,93,069	2,63,05,160	3,33,67,593	3,53,60,662
PLANT & MACHINERY	23,17,33,516	—	—	23,17,33,516	20,77,98,778	—	—	20,77,98,778	2,39,34,738	2,39,34,738
VEHICLES	83,57,505	—	—	83,57,505	76,98,233	—	2,33,105	79,31,338	4,26,167	6,59,272
ELECTRIC FITTINGS	25,40,017	—	—	25,40,017	18,62,761	—	86,584	19,49,345	5,90,672	6,77,256
FURNITURE & FIXTURES	1,01,58,091	—	—	1,01,58,091	72,11,620	—	6,43,007	78,54,627	23,03,464	29,46,471
OFFICE EQUIPMENTS	1,03,75,050	15,080	—	1,03,90,130	69,58,546	—	6,86,171	76,44,717	27,45,413	34,16,504
AIR CONDITIONERS	6,53,757	8,000	—	6,61,757	3,84,067	—	31,205	4,15,272	2,46,485	2,69,690
CYCLES	16,865	—	—	16,865	16,460	—	170	16,630	235	405
BRAND GOODWILL	—	6,74,10,000	—	6,74,10,000	—	—	—	—	6,74,10,000	—
TOTAL	32,35,07,554	6,74,33,080	—	39,09,40,634	25,62,42,556	—	36,73,311	25,99,15,867	13,10,24,767	6,72,64,998
WORK IN PROGRESS	25,08,827	—	—	25,08,827	—	—	—	—	25,08,827	25,08,827
TOTAL	32,60,16,381	6,74,33,080	—	39,34,49,461	25,62,42,556	—	36,73,311	25,99,15,867	13,35,33,594	6,97,73,825
PREVIOUS YEAR	32,59,43,231	73,150	—	32,60,16,381	24,76,95,458	—	85,47,098	25,62,42,556	6,97,73,825	—

NATIONAL PLYWOOD INDUSTRIES LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2007

	<u>AS AT</u> <u>31.03.2007</u> <u>Rs.</u>	<u>AS AT</u> <u>31.03.2006</u> <u>Rs.</u>
F. INVESTMENTS		
Unquoted –		
1000 (1000) Fully Paid-up Equity Shares of Perival Plastics Pvt. Ltd. of Rs. 100/- each.	1,00,000	1,00,000
	<u>1,00,000</u>	<u>1,00,000</u>
 G. INVENTORIES		
(As per verification & valuation duly certified by the Management)		
Raw Materials	1,57,29,963	1,57,29,963
Stores, Spare Parts	94,03,503	99,03,305
Finished & Semi-finished goods (including trading goods)	2,65,65,213	2,76,18,981
	<u>5,16,98,679</u>	<u>5,32,52,249</u>
 H. SUNDRY DEBTORS (Unsecured)		
Over six months – Considered good	30,27,806	77,97,371
– Considered Doubtful	16,73,041	19,63,775
Other Debts (Considered good)	16,88,576	5,85,536
	<u>63,89,423</u>	<u>1,03,46,682</u>

NATIONAL PLYWOOD INDUSTRIES LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2007

	AS AT 31.03.2007 Rs.	AS AT 31.03.2006 Rs.
I. CASH & BANK BALANCES		
Cash in hand	6,32,924	11,50,314
Balance with Scheduled Banks –		
On Current Account	1,46,97,730	2,43,169
On Unclaimed Dividend Account	1,14,694	1,14,694
Share Application Money	50,165	50,165
Margin Money Account	2,75,480	2,75,480
	<u>1,57,70,993</u>	<u>18,33,822</u>
J. LOANS, ADVANCES & DEPOSITS		
Loans (Unsecured, Considered good)	65,84,256	65,84,256
Advances (Recoverable in cash or in kind or for value to be received)	2,61,80,921	2,77,23,886
Prepaid Expenses	3,000	3,000
Balance with Excise Department	14,24,509	14,86,943
Sundry Deposits	14,26,015	20,45,198
	<u>3,56,18,701</u>	<u>3,78,43,283</u>
K. CURRENT LIABILITIES & PROVISIONS		
Sundry Creditors	17,80,09,937	16,27,71,526
Credit Balances of Customers	1,34,69,663	1,28,46,441
Advance from Investors	4,75,00,000	—
Advance for Brand	6,74,10,000	—
Temporary Overdraft from Banks	14,64,474	14,64,474
Unclaimed Dividend	1,14,694	1,14,694
Share Application Money	50,165	50,165
Provisions :-		
Fringe Benefit Tax A/Y 2006-07	1,88,100	1,88,100
Fringe Benefit Tax A/Y 2007-08	1,27,128	—
	<u>30,83,34,161</u>	<u>17,74,35,400</u>

NATIONAL PLYWOOD INDUSTRIES LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Year ended 31.03.2007 Rs.	Year ended 31.03.2006 Rs.
L. OTHER INCOME		
Claim	—	1,69,459
Miscellaneous Income	5,155	477
Interest from Others	—	40,466
	<u>5,155</u>	<u>2,10,402</u>
M. RAW MATERIALS CONSUMED		
Opening stock	1,57,29,963	1,80,28,140
Add : Purchases	—	—
	<u>1,57,29,963</u>	<u>1,80,28,140</u>
Less : Sales/Adjustment	—	18,302
	<u>1,57,29,963</u>	<u>1,80,09,838</u>
Less : Closing Stock	1,57,29,963	1,57,29,963
	<u>—</u>	<u>22,79,875</u>
N. SALARIES, WAGES & OTHER EMPLOYEES' BENEFITS		
Salary, Wages, Bonus & Gratuity	71,48,406	87,23,063
Contribution to Provident Fund & Pension Fund	11,51,930	6,12,713
Contribution to Link Insurance	22,430	755
Contribution to E.S.I.	4,894	4,731
Workmen & Staff Welfare	2,09,713	3,37,195
	<u>85,37,373</u>	<u>96,78,457</u>

NATIONAL PLYWOOD INDUSTRIES LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Year ended 31.03.2007 Rs.	Year ended 31.03.2006 Rs.
O. MANUFACTURING, ADMINISTRATIVE & SELLING EXPENSES		
Stores & Spares Parts Consumed / wasted	5,14,702	69,357
Power & Fuel	3,52,198	67,99,912
Rates & Taxes	1,89,828	2,65,241
Repairs & Maintenance :		
Building	4,500	7,338
Machinery	1,41,155	75,168
Others	<u>7,714</u>	60,886
Rent (Net)	6,24,000	4,92,952
Insurance	1,04,607	35,043
Vehicle Operating Expenses	2,97,801	5,41,875
Miscellaneous Expenses	40,24,920	31,25,091
Sales Tax	1,79,942	4,680
Packing & Forwarding Charges	11,53,118	10,95,557
Auditors' Remuneration :		
Audit Fee	21,000	21,000
Taxation Matters	4,000	4,000
Company Matters	2,000	2,000
Tax Audit Fees	8,000	8,000
Service tax	15,510	33,232
	<u>76,44,995</u>	<u>1,26,41,332</u>

NATIONAL PLYWOOD INDUSTRIES LIMITED

P. ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1) Basis of preparation of financial statements.

The financial statements are prepared under the historical cost convention and in accordance with the applicable accounting standards and the provisions of the Companies Act, 1956 as adopted consistently by the Company. Insurance claim, leave payments and bonus to employees are accounted for on cash basis.

2) Fixed Assets

- i) Depreciation is provided on Straight Line Method applying the rates specified in Schedule XIV to the Companies Act.
 - ii) All fixed assets are stated at cost which includes taxes, duties and other identifiable direct expenses.
 - iii) On assets required or disposed off during the year, depreciation is charged on pro-rata basis with reference to the date of acquisition or disposal.
 - iv) Capital work in progress includes advances.
 - v). No depreciation has been provided on Plant & Machineries of the Company's Units at Tinsukia, Margherita & Kalyani, as these units were not in operation during the year. The value of Plant & Machineries of Hosur Unit Stands NIL.
- 3) Investments are stated at cost. No provision has been made in respect of diminution in value of investments as the management is of the opinion that there is no permanent diminution in value, these being long term investments in nature.

4) Valuation of Inventories :

Inventories are valued as follows :

Raw materials, stores & spare - At Cost.

Work-in-progress-At ex-factory selling prices, less estimated cost of further processing.

Finished goods-At ex-factory selling price-if lying at factory. At ex-factory selling prices plus freight and octroi etc, if lying at branches. However, on and from 1-4-99, the inventories are to be valued at **lower of cost or net realizable value**. In absence of such valuation it is not possible to determine increase/decrease in the value of inventories and its impact on the loss of the Company during the year.

5) Excise Duty

As per past practice, excise duty payable on finished goods is accounted for on the clearance of goods from the factory premises.

6) Sales

Sales include excise duty and freight but excludes rebate and discount.

7) Gratuity

No provision has been made for gratuity in the accounts. Since payment on account of gratuity is accounted for as and when paid and hence the loss/liability to that extent is provided on cash basis.

8) Excise : Re Aqueous Solution Case

- i) Refund claim of Rs. 66.29 lacs transferred to Consumer Welfare Fund, writ petition filed by the company which is pending in Hon'ble Guwahati High Court.
- ii) Refund claim of Rs. 19.11 lacs sanctioned and paid but department has filed appeal before tribunal
- iii) Refund claim of Rs. 28.05 lacs pending with A.C. Tinsukia Div., Assam.

9) Contingent Liability not provided for in respect of :

- i) Due to dispute in classification and/or valuation of certain items of finished goods under the Central Excise
-

NATIONAL PLYWOOD INDUSTRIES LIMITED

& Salt Act, 1944, a demand of Rs. 90.05 lacs (approx) for the period 25.07.1989 to 17.03.1993 has been raised by Central Excise Department after the Supreme Court Judgement on 20.09.1995. Matter has been settled under K.V.S Scheme in terms of the order of Hon'ble Guwahati High Court.

- ii) Demand of duty Rs. 182.68 lacs approx confirmed by the commissioner C.E. on 10.10.2001, against show cause notice dated 12.12.1985. Writ petition filed in Guwahati High Court against the order which is pending, hence subjudice.
 - iii) Demand of duty Rs. 20.65 lacs confirmed and penalty equivalent to duty was also imposed by the commissioner C.E. on 21.08.2002. Appeal and stay petition filed before the Tribunal Kolkata is pending, hence subjudice.
- 10) Disputed Income for Rs. 3,08,80,872/- for assessment year 1996-97. Since appealed at Kolkata High Court by Income Tax Dept.
 - 11) Interest on loans from Bank & Financial Institutions has not been provided for as the Company's registered with the Hon'ble BIFR and the Draft Rehabilitation Scheme (DRS) has been submitted in consultation with the Operating Agency (SASF-IDBI) to the Hon'ble BIFR on 31.05.2007.
 - 12) Physical stock has not been taken of Store/ Finished Stock & Fixed Assets as factories located in Assam & Kolkata were closed. The loss, if any, will be accounted for on physical verification after re-opening of the factory. However, depletion in the value of raw materials due to efflux of time during the closure period has been written off as consumption.
 - 13) The Company has entered in to a One Time Settlement (OTS) with its secured lenders and have already received sanction letters from SASF-(IDBI) and Standard Chartered Bank - (SCB) for ICICI Bank. Formal sanctions are awaited from State Bank of Mysore and State Bank of India. On account of the OTS entered into with all the secured lenders (Banks) the company has paid a sum of Rs. 475.00 lakh as on 31.3.2007.
 - 14) The balance of unpaid dividend account of Rs. 114694.45 relating to the year 1994-95 is under is under reconciliation. It will be transferred to the credit to Central Government as per the provisions of the Companies Act, 1956.
 - 15) The position of secured loan has been considered without going impact of OTS which will be reflected in the subsequent year since unanimous sanction is awaited.
 - 16) In order to bring value to the company and help the company to overcome the crisis pursuant to it becoming sick, the promoter, Mr M.L. Periwai has decided to sell the "National" brand for Plywood & laminates and other allied products to the company at a cost of Rs. 674.10 lakhs arrived at as per Independent report. This justifies the sacrifices to be made by the promoter towards rehabilitation of the company through he Hon'ble BIFR. This sacrifices is part of the promotor contribution. The company proposes to issue share of the face value of Rs. 10/- each premium of Rs. 5/- per share to acquire to brand at cost. This issue of shares against the value of brand goodwill shall be part of the scheme to be approved by the Hon,ble BIFR pending which the amount shall be kept as current liability in the company as Advance against Brand. This will be distinguished from the other current liabilities and there will not be any compromise on this liability as part of the proposed scheme.
 - 17) **Managing Directors' Remuneration :**

	Year ended 31.03.2007 Rs.	Year ended 31.03.2006 Rs.
Salary	Nil	Nil
 - 18) The quantum of dues to small scale and ancillary industrial undertakings being not readily ascertainable in the absence of relevant documents/information, could not be identified and disclosed separately in the accounts. Steps have been initiated to collect the necessary particulars for disclosure of the required information in the coming year.
 - 19) Balances of certain debtors, advances, creditors and loans from Financial Institutions and Banks are subject to confirmation and consequential reconciliations/ adjustments etc.
 - 20) Previous year's figures are regrouped and rearranged wherever necessary.
 - 21) Figures have been rounded off to the nearest rupee.

NATIONAL PLYWOOD INDUSTRIES LIMITED

ADDITIONAL INFORMATION UNDER PART II OF SCHEDULE VI OF THE COMPANIES ACT, 1956

a) **Quantitative Details :**

	Plywood Quantity (Sq. Mtrs. on 4 mm basis)	Decorative Laminates Quantity (Nos)	Industrial Laminates Quantity (MT)	Value (Rs.)
Installed Capacity	80,00,000 (1,13,50,000)	18,00,000 (18,00,000)	1,500 (1,500)	
Production	— (—)	— (—)	— (—)	
Purchase/Return	— (—)	— (—)	— (—)	1,07,65,168 (82,15,083)
Sales	41 (266)	— (—)	— (—)	1,69,80,652 (1,12,35,447)
Opening Stock	20,500 (20,767)	4,014 (3,377)	116 (116)	2,76,18,981 (2,63,04,211)
Closing Stock	20,459 (20,500)	4,014 (4,014)	116 (116)	2,65,65,213 (2,76,18,981)

i) Plywood includes Block Boards & Flush Doors.

ii) Opening Stock, Purchases, Sales & Closing stock value of purchased for resale quantitative of traded items given below.

b) **Traded items :**

	Plywood (Sq. Mtr.)
Opening Stock	18,126.62 (326.52)
Purchase	1,34,849.63 (1,20,056.01)
Sales	1,52,976.25 (1,02,255.91)
Closing Stock	0.00 (18,126.62)

c) **Raw Material Consumed / Wasted**

i) Plywood and Blockboard

	Unit	Quantity	Value
Timber	Cu.Mtr.	— (—)	— (—)
Veneer	Sq.Mtr.	— (12,437.00)	— (2,49,063)
Chemical	M. Ton	— (—)	— (—)

NATIONAL PLYWOOD INDUSTRIES LIMITED

	Unit	Quantity	Value
ii) Laminate			
Paper	M. Ton	— (6.081)	— (20,17,259)
Chemical	M. Ton	— (0.143)	— (13,553)
d) Consumption of Raw Materials, store & spare and components :			
		Value (Rs.)	Percentage of total consumption
i) Imported			
Raw Materials		— (—)	— (—)
Stores & Spares		— (—)	— (—)
ii) Indigenous			
Raw Materials		— (22,79,875)	— (100)
Stores & Spares		5,14,702 (69,357)	100 (100)
e) Value of Imports on CIF Basis :			
Raw Materials & Trading Goods		— (—)	
Stores & Spares		— (—)	
Capital Goods		— (—)	
f) Expenditure in Foreign Currency :			
Travelling Expenses		26,161 (—)	
g) Earning in Foreign Exchange:			
Export of goods calculated on FOB basis		— (—)	

Signatories to Schedule 'A' to 'P'

For **JHUNJHUNWALA & COMPANY**
Chartered Accountants
R. K. JHUNJHUNWALA
Proprietor
Membership No. 6604
Kolkata
Dated 24th August, 2007

P. PERIWAL
Vice Chairman & Managing Director
S. K. CHANDAK
Director

NATIONAL PLYWOOD INDUSTRIES LIMITED

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

	For the year ended 31.03.2007	For the year ended 31.03.2006
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) Before Tax	(1,23,13,736)	(2,04,70,031)
Adjustments for :		
Depreciation	36,73,311	85,47,098
Loss/(Profit) on Sale of Fixed Assets	—	—
Interest (Net)	—	—
Interest written back for earlier year	—	—
Operating Profit before Working Capital changes	(86,40,425)	(1,19,22,933)
Adjustments for :		
Trade and other Receivables	61,81,841	42,43,138
Inventories	15,53,570	9,83,407
Trade payables	6,33,61,633	8,63,992
Advance for brand	6,74,10,000	—
Term Loan	—	—
Working Capital Loan from bank	(2,25,00,000)	(2,50,00,000)
OTS Settlement	—	—
Preliminary Expenses	—	—
Cash generated from operations	10,73,66,619	(3,08,32,396)
Income Tax refund	—	—
Income Tax paid	—	—
Wealth Tax paid	—	—
Net Cash Flow from Operating Activities	10,73,66,619	(3,08,32,396)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Dividend Income	—	—
Purchase of Fixed Assets	(6,74,33,080)	(73,150)
Sale of Fixed Assets	—	—
Sale of Share	—	—
Net Cash Flow in Investing Activities	(6,74,33,080)	(73,150)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Grant Received	—	—
Proceeds from Long Term Borrowings	(2,53,50,001)	3,10,33,558
Decrease/Increase in Financial Lease Liability	(6,46,367)	(1,52,480)
Interest paid	—	—
Net Cash Flow from Financing Activities	(2,59,96,368)	3,08,81,078
Net Increase/(Decrease) in Cash & Cash equivalents	1,39,37,171	(24,468)
Cash and Cash equivalents as on 01.04.2006	18,33,822	18,58,290
Cash and Cash equivalents as on 31.03.2007	1,57,70,993	18,33,822

Kolkata
Dated 24th August, 2007

P. PERIWAL
Vice Chairman & Managing Director

S. K. CHANDAK
Director

AUDITORS' CERTIFICATE

We have examined the above Cash Flow Statement of NATIONAL PLYWOOD INDUSTRIES LIMITED for the year ended 31st March, 2007. The Statement has been prepared by the Company in accordance with the requirements of clause 32 of listing agreements with Stock Exchanges and is based on and in agreement with the books and records of the Company and also the Profit and Loss Account and Balance Sheet covered by our report of even date to the members of the Company.

Kolkata
Dated 24th August, 2007

For JHUNJHUNWALA & COMPANY
Chartered Accountants
R. K. JHUNJHUNWALA
Proprietor
Membership No. 6604

NATIONAL PLYWOOD INDUSTRIES LIMITED

National Addresses

Head Office

5, Fancy Lane, **Calcutta** 700 001, Phones : 2248 0116/7, Fax : 2248 1246

Registered Office :

Makum Road, **Tinsukia** 786 125

Branches & Offices

Amritsar • Bangalore • Bhubaneswar • Cochin • Kanpur • Mumbai • New Delhi.