

VICTORY PAPER AND BOARDS (INDIA) LIMITED

18 th Annual General Meeting at 10.00. A.m. on 28th December 2012

NOTICE

Notice is hereby given that the 18 th Annual General Meeting of the Shareholders of VICTORY PAPER AND BOARDS (INDIA) LTD, will be held at Chamber Tower, Kunnamkulam on 28.12.2012, Friday at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Annual Accounts of the Company for the year ended on 31st March, 2012 along with the report of the Auditors and the Directors thereon.
2. To appoint a Director in the place of Shri T P GEO who retires by rotation and being eligible offers himself for re-appointment as Director
3. To appoint auditors and fix their remuneration for the accounting year 2012 – 2013. The retiring Auditor M/S. Abraham & Jose Chartered Accountants, Thrissur are eligible for re-appointment.

Notes:-

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company.
2. Proxies in order to be effective should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. Members are requested to intimate their change of address well in advance, and to quote their folio number in all future correspondence made to the company.
4. Members desiring to know about accounts have to intimate it in writing at least 7 days before the date of the Meeting.
5. The register of members will remain closed from 28.11.2012 to 18.12.2012 (both days inclusive).

Kunnamkulam,
19.11.2012

By order of the Board,
K. P DAVIS
CHAIRMAN

VICTORY PAPER AND BOARDS (INDIA) LIMITED

DIRECTORS REPORT TO THE SHARE HOLDERS

Dear Shareholder,

Your Directors hereby presents the 18th Annual Report of the Company with the Audited statement accounts for the year ended 31st March 2012.

1. OPERATIONAL PERFORMANCE:

The company could not take any production during the year due to labour strike and the lock out still continuing. The management has entered a Memorandum of Understanding with trade unions and maintenance work in the company has completed. In the meantime, dispute has started on the signed Memorandum of Understanding and conciliation process is under way with the trade unions. We expect to resume production within a couple of months.

2. FUTURE PLAN OF ACTION:

The management has done some modification in the paper machine to take up production with Kraft Paper or Writing and Paper depend upon the market conditions. By this modification the production of the company can increase in substantial tonnage.

3. FINANCIAL HIGHLIGHTS:

	Year ended 31-03-2012	Year ended 31-03-2011
Income from Operations	4518370	9095772
Other income	471877	515234
Total Income	4990247	9611006
Less: Cost of goods sold	582486	14021345
Operating expenses	1400980	2248568
Interest	8394663	8490350
Profit/Loss before depreciation and tax	(5387882)	(15149257)
Less: Depreciation	6977245	7150594
Profit/(Loss) before exceptional and extraordinary items and tax	(12365127)	(22299851)
Exceptional Items	10357118	Nil
Less: Income Tax/Deferred Tax	Nil	Nil
Profit/(Loss) after exceptional and extraordinary items and tax	(2008009)	(22299851)
Add: Opening balance of Profit & Loss Account	(167286993)	(144987142)
Transferred to Balance Sheet	(169295002)	(167286993)

4. STATE OF AFFAIRS:

The company could not achieve optimum production for the last few years due to labour dispute. Although the Memorandum of Understanding signed with the Labour Unions, it has not been implemented due to dispute with labours and the conciliation is in progress to implement the MOU already signed. We expect to settle the issue at the earliest. Even though the Company could not able to take production the bank loan facility reduced from ₹ 4.62 Crore to ₹ 2.17 Crore bring down substantial amount of ₹ 2.45 Crore. Moreover, the Company have also serviced an interest of ₹ 83.94 Lakhs. All these amounts have been raised by the Directors and their firms without charging any interest.

5. GENERAL OUTLOOK:

The Company has undertaken modification of the plant to increase production and tonnage enable to compete with large paper mills.

6. HIGHLIGHTS OF THE YEAR

The Company has not taken up production during the year due to lock out.

VICTORY PAPER AND BOARDS (INDIA) LIMITED

7. **DIVIDEND**
No dividend has been declared for this year since the company has not made any profit during the year under review.
8. **DIRECTORS**
Directors of the Company are Shri K.P.Davis, Chairman, Shri K.P.Saxon, Managing Director and Shri T.P.Geo, Independent Director.
9. **COST AUDIT**
Shri George Issac, Ernakulam, who was appointed Cost Auditor of the Company last year, still continues to be as the Cost Auditor.
10. **AUDITORS**
M/s. Abraham & Jose, Chartered Accountants, our retiring auditors, expressed their willingness to be reappointed as Statutory Auditors of the Company for the year 2012-2013.
11. **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.**
The details are given in Annexure-A.
12. **PARTICULARS OF EMPLOYEES U/S 217(2A) OF THE COMPANIES ACT, 1956.**
No employee of the Company was in receipt of remuneration during the financial year 2011-12, exceeding the amount prescribed under Sec.217(2A) of the Companies Act, 1956, read with the Companies (particulars of employees) Rules, 1975, as amended.
13. **DIRECTOR'S RESPONSIBILITY STATEMENT**
Directors confirm:-
 - i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
 - ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the Company for that period;
 - iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
 - iv) that the directors had prepared the annual accounts on a going concern basis.
14. **REPLY TO QUALIFICATION IN AUDITORS REPORT**
 - (i) The factory of the company was lockout from 30.08.2009 and the factory office was not functioning since then. So fixed assets records were not updated. It will be updated soon after the lockout is withdraw and functioning of the office.
 - (ii) The Company introduces new varieties of paper from time to time according to market requirement. All the factors of production relating to such items are not readily identifiable. Necessary requirements of AS-2, Inventory Valuation will be complied with, after the lock out is lifted and functioning the office.
 - (iii) The Company has paid ₹ 432.46 lakhs to Kerala State Electricity Board towards disputed electricity charges after the dismissal of the Company's petition by the Honourable High Court of Kerala against charging of disputed tariff by the Electricity Board. The company has disputed the matter and filed an appeal before Supreme Court of India and the final judgment of the Hon. Supreme Court is awaited. Hence the amount of ₹ 432.46 lakhs paid towards the same is not recognized as an expense instead shown as 'Other receivables' under the Note 9 'Other Non-current Assets'.
 - (iv) Provision for gratuity is made as per the Payment of Gratuity Act, 1972. The company will carry out actuarial valuation in future so as to comply with AS-15 on Employee Benefits.

VICTORY PAPER AND BOARDS (INDIA) LIMITED

- (v) Internal audit is being conducted by the Company's own competent and qualified staff and the financial report is verified by a qualified Chartered Accountant before sending it to the press.
- (vi) The company is facing financial crisis due to factory lockout. All pending statutory payments of P.F. were paid during the year under review other than the disputed liability of P.F. which is stayed by the Hon'ble High Court of Kerala.
- (vii) a) Auditors state that they have not obtained all the information and explanations necessary for the purpose of their audit. What prevented them from obtaining all the information and explanations are not explicitly mentioned. We are therefore, unable to comment on the same.
b) The Auditors have not reported any discrepancy in maintenance of books of accounts and compliance of provisions of company's Act throughout the entire period of their audit, including March 31, 2012. Similar books like in the previous financial years have also been kept during the year under report.
- (viii) Cash Credit and Term Loan classified as 'Non-performing Accounts' by the bank from 18.10.2011 till the company is not functioning more than three years and the bank has not taken any serious action. The company has remitted ₹ 245 Lakhs during the year and balance will be paid in the coming financial year.
- (ix) Other comments of the Auditor's have been noted for future compliance.
15. **CORPORATE GOVERNANCE**
Auditors certificate on compliance of conditions of corporate governance and separate notes on corporate Auditors certificate on compliance of conditions of corporate governance are enclosed as Annexure 'B' and 'C'. Management Discussion and Analysis is attached as Annexure 'D'.
16. **INDUSTRIAL RELATIONS**
Overall industrial relations during the year were not good. The Company has already signed Memorandum of Understanding with Trade Unions and held various conciliation meetings with the workers. Even though the Company could not resolve the issue due to the adamant nature of the workers and Trade Unions, the conciliation meeting is still continuing.
17. **COMPLIANCE CERTIFICATE**
A certificate from the Auditors of the Company regarding compliance of the conditions of corporate governance as stipulated under clause 49 of the listing agreement is attached to this report.
18. **ACKNOWLEDGEMENT**
Your Directors wish to place on record their greatest appreciation and thanks to M/s. Federal Bank Limited for extending their wholehearted co-operation and timely assistance rendered by them to the Company during the year. Your Directors also wish to convey their appreciation for the assistance, operation and support extended to your Company by the shareholders. The State Government Department of Industries, The Securities and Exchange Board of India, Stock Exchanges, ROC, Bankers, Auditors, Cameo Corporation Services Ltd., NSDL, CDSL, valued customers and last but not the least to the general public who have been very helpful to the company to the progress made by it throughout the year.

By Order of the Board
For VICTORY PAPER AND BOARDS (INDIA) LTD.

Sd/-
(K.P.Davis)
Chairman

Kunnamkulam
19.11.2012

VICTORY PAPER AND BOARDS (INDIA) LIMITED

ANNEXURE - 'A' TO THE DIRECTORS' REPORT FORM A

Form for disclosure of particulars with respect to conservation of energy 2011-2012

During the year Plant is in Lock-Out, Company does not consume energy for production process

Current year Previous year

A. Power and Fuel Consumption

1 Electricity:

(a) Purchases:

Unit	Kwh	Nil	Nil
Total amount		Nil	Nil
Cost per unit		Nil	Nil

(b) Own generation:

Unit	Kwh	Nil	Nil
(i) Through diesel generator			
Unit	Kwh	Nil	Nil
Unit per litre of diesel oil		Nil	Nil
Cost/unit		Nil	Nil

(ii) Through steam turbine/generator

Unit			
Unit per litre of fuel oil/gas			
Cost/unit			

2 Coal (specify quality and where used)

Quality (tonnes)	N.A	N.A
Total cost		
Average rate		

3 Furnace oil

Quantity (k.ltrs.)	N.A	N.A
Total amount		
Average rate		

4 Others/internal generation (husk)

Total cost	Nil	Nil
Rate/tonne	Nil	Nil

B Consumption per unit of production

Particulars	STANDARD (IF ANY)	CURRENT YEAR	PREVIOUS YEAR
Products:			
Electricity		Nil	Nil
Furnace oil	N.A	N.A	N.A
Coal (Specify quality)	N.A	N.A	N.A
Others - husk		Nil	Nil

FORM B

Form for disclosure of particulars with respect of absorption

Research and development (R & D)

Presently, the company does not have any special research and development activities.

Technology absorption, adaptation and innovation

The company is making efforts in the respective sectors of technology absorption, adaption and innovation in order to bring about product improvement, cost reduction, etc.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company does not have any foreign Exchange Earnings or Outgo during the year

VICTORY PAPER AND BOARDS (INDIA) LIMITED

Annexure 'B' to the Directors Report

Corporate Governance

1. Company's philosophy on Corporate governance

Corporate Governance is based on the principles of integrity, fairness, equity, transparency, accountability and commitment to values. Victory Paper and Boards (India) Limited's philosophy on corporate governance envisages the attainment of the highest levels of transparency, accountability, equity, in all facets of its operations and in all its interactions with its stakeholders, including shareholders, employees, the government and lenders. VPBL is committed to achieving the highest standards of corporate governance and thereby to enhance the overall shareholder value, over a sustained period of time.

2. Board of Directors

The Board of Directors consists of Three Directors with one Chairman cum Whole Time Director, Managing Director and one Non-executive director.

During the year under review, 12 Board Meetings were held on April 30, May 30, June 30, July 30, August 30, September 30, October 31, November 21, December 30, 2011, January 30, February 28, March 05, 2012. The composition of the Board of Directors and attendance of the directors at the meetings during the year and at the last Annual General Meeting as also number of other directors in Indian Public Limited Companies are as follows:-

Name of Director	Attendance at last AGM	No. of Board meeting attended	Category of director	Sitting Fee	Other Director ship	Other Board's comm	
						Chairman	Mem
Sri. K.P. Saxon	Yes	12	MD	9000	1	1	2
Sri. K.P. Davis	Yes	12	C & WTD	9000	1	1	2
Sri. T. P. Geo	Yes	12	NED	9000	Nil	1	2

C & WTD – Chairman & Whole Time Director MD-Managing Director, NED – Non-Executive Director, S – Small Shareholder's Director.

3. Committees of the Board

There are three committees of the Board of Directors, which have adequate delegated powers to discharge urgent business of the company. These committees are (1) Audit Committee (2) Remuneration committee and (3) Investors grievance committee.

1) Audit Committee

(i) Terms of reference:

Apart from all the matters provided in clause 49 of the Listing Agreement and section 292A Companies Act, 1956, the committee reviews the adequacy and compliance of internal control system.

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and accounting and related functions. The committee reviews reports from accounts department, meets statutory auditors periodically and discusses their findings, suggestions, internal control systems, scope of audit, observations of the auditors and other related matters.

(ii) Composition

The committee comprises of 1 Non-Executive Director, Chairman cum WTD and Managing Director. The committee met 4 times during the year on April 6, July 4, October 5, 2011 and January 25, 2012 and the attendance of members at the meetings was as follows-

Name of the member	Status	No. of meeting attended
Sri. T.P.Geo	Chairman	4
Sri K.P.Saxon	Member	4
Sri K P Davis	Member	4

2) Remuneration Committee

(i) Terms of reference: The committee has been formed to review the remuneration of whole time directors in line with the Corporate Governance guidelines. However the whole time directors have not accepted any remuneration other than sitting fees during the year.

(ii) Composition: The committee comprises of two executive directors and one non-executive director. The committee met four times during the year on June 30, September 28, December 30, 2011 and March 30, 2012 and the attendance of members at the meetings was as follows-

Name of the member	Status	No. of meetings attended
Sri. K.P. Davis	Chairman	4
Sri. K.P. Saxon	Member	4
Sri. T.P. Geo	Member	4

3) Investors Grievance Committee

(i) Terms of reference: The committee has been formed to approve the matters relating to review and redressal of investors' grievances, issue of duplicate share certificates, decide the dates of book closure record dates in respect of the securities presently issued/to be issued by the company and other allied matters.

(ii) Composition: The committee comprises of two executive directors and one non-executive director. The committee met four times during the year on June 30, September 30, December 29, 2011 and March 31, 2012 and the attendance of members at the meetings was as follows-

Name of the member	Status	No. of meetings attended
Sri. K.P. Saxon	Chairman	4
Sri. K.P. Davis	Member	4
Sri. T.P. Geo	Member	4

4. General Body Meetings

The last three Annual General Meetings of the company were held as under:

VICTORY PAPER AND BOARDS (INDIA) LIMITED

Financial year	Date	Time	Location
2010-2011	30.12.2011	10.00 am	Chamber Tower Kunnankulam
2009-2010	30.12.2010	10.00 am	Chamber Tower Kunnankulam
2008-2009	26.11.2009	10.00 am	Chamber Tower Kunnankulam

5. Disclosures

- a) None of the transactions with any of the related parties were in conflict with the interests of the Company.
b) No penalties have been imposed on the company for the last three years by the stock exchange, SEBI or any statutory authority on any matter related to capital markets for non-compliance by the company.

6. Means of communication

The company has been disclosing corporate financial performance i.e. quarterly, half-yearly, annual audited financial results with in the stipulated period to the stock exchange after being approved by the Board. The results are normally published in the editions of Kerala Kaumudi and Business Management discussion and analysis report forms part of this annual report.

7. General Shareholder's information

(i) 18th Annual General Meeting

Venue: Chamber Towers, Yesudas Road, Kunnankulam, Thrissur (Dist), Kerala

Time : 10 am

Date : 28th December, 2012

(ii) Tentative Financial Calendar.

Results for the quarter ending June 30, 2011 30/07/2012

Results for the quarter ending September 30, 2011 30/10/2012

Results for the quarter ending December 31, 2011 29/01/2013

Results for the year ending March 31, 2012 30/04/2013

Annual General Meeting 26/09/2013

(iii) Book Closure

The register of members and share transfer books shall remain closed from 28.11.2012 to 18.12.2012 both days inclusive.

(iv) Dividend payment date: No dividend has been proposed for the year 2011-12.

(v) Listing on stock exchanges and stock codes

The names and addresses of the stock exchanges at which the equity shares of the company are listed and the respective stock codes are as under:

VICTORY PAPER AND BOARDS (INDIA) LIMITED

S. No.	Name of stock exchange	Stock Code
1	BSE, Phiroze Jeejeebhoy Towers, 25 th Floor, Dalal Street, Mumbai	31234
2	Madras Stock Exchange Ltd. Exchange Building, P.B. No.183, 11, Second Lane Beach, Chennai 600001	VICTORY PAP
3	Ahmedabad Stock Exchange, Kamadhenu Complex, Near Polytechnic, Panjawapole, Ahmedabad 380 015	65124
4	The Cochin Stock Exchange Ltd. , 36/1565, 4 th Floor, M.E.S. Buildings, Judges Avenue, Kaloore, Cochin 682 017	VPB

- (vi) Demat ISIN Numbers
In NSDL & CDSL for Equity shares : ISIN No. INE962E01015
- (vii) Market Price Data : Company's shares were not traded in any stock exchanges during the year.
- (viii) Share price performance in comparison to broad based indices – Data not available
- (ix) Registrars and Transfer Agents
For Physical transfers: Secretarial department, M/s Victory Paper and Boards (I) Ltd.,
Victory press building, Kunnamkulam – 680503, Kerala
For Demat transfers : Cameo Corporate services Ltd, Subramanyan Building, No: 1 ,
Club House Road, Chennai – 600 002
- (x) Share Transfer System
Presently, the share transfers which are received in physical form are processed and the share certificate returned within a period of 10 to 15 days from the date of receipt, subject to the documents being valid and complete in all respects.
- (xi) Distribution of Share holding

The distribution of share holding as on 31st March, 2012 was as follows-

S. No.	No. of Equity share held	No. of share holders	Percentage of total shareholders	No. of shares held	Percentage of total shares
1	1 to 100	1192	37.37	88900	0.66
2	101 to 500	817	25.61	177700	1.32
3	501 to 1000	579	18.15	276100	2.04
4	1001 to 5000	493	15.45	799000	5.92
5	5001 to 10000	50	1.57	204900	1.52
6	10001 to 100000	40	1.25	783300	5.80
7	100001 to 500000	12	0.38	1613600	11.95
8	500001 & above	7	0.22	9556600	70.79
	Total	3190	100	13500000	100

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Details of Shareholding as on 31st March, 2012 was as under:

Sl.No.	Category	No. of shares held	% Shareholding
1	Promoters	9365700	69.37
2	Financial Institutions, Banks & Mutual Funds	88500	0.66
3	NRIs, Foreign Nationals, OCB & FIIs	23602	0.17
4	Indian Public	2583260	19.14
5	Corporate body	1438938	10.66
	Total	13500000	100.00

Out of the above 135,00,000 equity shares 4,37,100 equity shares are partly paid.

- (xii) Dematerialisation of shares & liquidity
The shares of the Company fall under the category of compulsory delivery in dematerialized mode by all categories of investors. The Company has signed agreements with both the Depositories i.e. National Securities Depository Limited and Central Depositories Services (India) Limited. 16.80% of the share Capital of the Company has already been dematerialized.
- (xiii) Outstanding GDRS/ADRS/Warrants or any convertible Instruments, conversion date and like impact on equity : NIL
- (xiv) Location of the plants
Victory Paper and Boards (India) Ltd, (Factory)
IV/120-A, Mannukadu P.O., Vengodi,
Elappully, Palakkad – 678 622, Kerala
- (xv) Address for correspondence:
Victory Paper and Boards (India) Limited
Registered Office : PB NO.36
Victory Press Building
Kunnamkulam 680 503, Kerala, India.

VICTORY PAPER AND BOARDS (INDIA) LIMITED

ANNEXURE 'C' TO DIRECTORS REPORT

CERTIFICATE

To,

The members of Victory Paper and Boards (India) Limited

I have examined the compliance of conditions of Corporate Governance by Victory Paper and Board (India) Limited for the year ended 31st March 2012 as stipulated in clause 49 of the listing agreement of the said company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. My 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 my opinion and to the best of my information and according to the explanations given to me, I certify that the company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement.

I state that no investors grievance is pending for a period exceeding one month against the company as per the records maintained by the investors grievance committee.

I further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness which the management has conducted the affairs of the company.

Thrissur
19-11-2012

Sd/-
T. R. SANGAMESWARAN
(Company Secretary)

VICTORY PAPER AND BOARDS (INDIA) LIMITED

Annexure- 'D' to Directors Report

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The management of Victory Paper and Boards (India) limited is pleased to present its analysis report covering performance and outlook. The report contains expectations of the company's business based on current environment. Many unforeseen and uncontrollable external factors could alter the expectations.

BUSINESS ORGANIZATION:

The company is dealing only in paper manufacture and sales. The Company is having a plant with an installed capacity of 7500 TPA at Elappully in Palakkad district of Kerala.

I. Industry Outlook

The demand for paper is shrinking with economic recession. Paper industry is under recession in line with the overall industrial situation in the country. However we expect brighter years ahead for the industry as a whole.

a) Paper policy

The company shall concentrate on launching value added products to increase turnover and profitability. According to the experts, as against the paper industry's growth rate of 6 to 7 %, the market for products in the high-end segment is growing at 19 %. The domestic demand for paper products is now showing a gradual healthy trend across segments. However a significant growth is expected in the high-end segment.

b) Opportunities and threats

Though the pulp and waste paper prices have gone up, the domestic market is not able to sell the products at reasonable prices. Frequent power failures cause loss of production due to shut down and restarting of the plant. However the company is hopeful of achieving the targets with better realization from the high-end segment.

II. Operational and Financial Performance

The summarized performance of the company is as under:

	(Rs in crores)	
	2011-2012	2010-2011
Sales	Nil	0.91
Net Profit	(0.20)	(2.23)

Paper Production

During the year 2011-12, there was no paper production due to plant lockout

VICTORY PAPER AND BOARDS (INDIA) LIMITED

Paper Sales Volume

There was no sale of paper during the year 2011-12 and 2010-11.

Trading Activity:

During the year the Company was involved in trading activities to the tune of Rs.64602 (Previous year Rs.9095772)

III. Material Development in Human Resources/Industrial Relations front including number of people employed.

The company was in lock out during the year 2011-12 due to labor strike.

IV. Internal Control System

The Company ensures existence of adequate internal control through documented Policies & Procedures to be followed by the executives at various levels in the organization.

VICTORY PAPER AND BOARDS (INDIA) LIMITED

AUDITORS' REPORT

TO THE MEMBERS OF VICTORY PAPER AND BOARDS (INDIA) LIMITED, KUNNAMKULAM

- We have audited the attached Balance Sheet of VICTORY PAPER AND BOARDS (INDIA) LIMITED, KUNNAMKULAM as at 31st March 2012, the Profit and Loss account for the year ended on that date and cash flow statement for year ended on that date annexed thereto. These financial statements are the responsibility of the Company management. Our responsibility is to express an opinion on these financial statements based on our audit.
- We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- As required by the Companies (Auditors' Report) Order 2003 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956 we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
- The company is manufacturer of different varieties of paper. The details of inventory valuation are not available to the Company. Also inventory records in respect of Raw Material, Finished Goods, Consumables, stores and spare parts and semi-finished goods were not made available for our verification. Hence we are unable to verify compliance with Accounting Standard - 2, Valuation of Inventories.
- The Company has paid electricity charges and interest thereon amounting to Rs 432.46 Lakhs to Kerala State Electricity Board and shown under 'other receivables', which in our opinion should have been charged as a revenue expenditure. (See note no.9 of the Notes forming part of accounts)
- Provision for Gratuity is made on an estimated basis, without Actuarial valuation, which is not in accordance with Accounting Standard - 15 on Employee Benefits.
- Further to our comments in the annexure referred to in paragraph 3 and in paragraph 4, 5 & 6 above, we report:
 - We have not obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - In our opinion, proper books of accounts as required by law have not been kept by the company so far as appears from our examination of those books;
 - The Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report are in agreement with the books of accounts kept by the management;
 - In our opinion, the Balance sheet, Profit and Loss account and Cash Flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, subject to paragraph 4, 5 & 6 above;
 - On the basis of written representations received from the directors, as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of section 274 (1) (g) of the Companies Act, 1956;
 - In our opinion and to the best of our information and according to the explanations given to us, because of effects of the matters in the annexure referred to in paragraph 3 and in paragraph 4, 5 & 6 above, the financial statements read together with the significant accounting policies and other notes thereon does not give a true and fair view in conformity with the accounting principles generally accepted in India:
 - in the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2012;
 - in the case of the Profit and Loss account, of the "Loss" of the Company for the year ended on that date; and
 - in the case of the Cash Flow statement, of the cash flows for the year ended on that date.

For Abraham & Jose
Chartered Accountants
FRN. 000010S

Sd/-
Jose Pottokaran
Partner
Membership No. : 012056

Thrissur
19-11-2012

VICTORY PAPER AND BOARDS (INDIA) LIMITED

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our Report of even date)

- i) (a) The Company has not satisfactorily maintained records showing particulars including quantitative details and situation of fixed assets. The records are not updated for the past few years. In the absence of an updated fixed assets register and due to non-availability of records of physical verification we are unable to ascertain the appropriateness of the same.
- (b) As explained to us most of the assets have been physically verified by the Management during the year in accordance with a phased programme of verification adopted by the company and no material discrepancies were noticed on such verification. However we are unable to verify the reasonableness of the same, as necessary documentary evidences were not made available for our verification.
- (c) Major part of fixed assets has not been disposed off during the year.
- ii) (a) As explained to us the company has conducted physical verification at reasonable intervals in respect of inventory. However we have not received any documentary evidence to verify the same.
- (b) In the absence of documentary evidence we are unable to ascertain whether the procedures of physical verification of stocks followed by the Management are reasonable and adequate or not in relation to the size of the company and the nature of its business.
- (c) In our opinion the company is not maintaining proper records of inventory. In the absence of records we are unable to ascertain whether discrepancies if any were noticed on physical verification of stocks.
- iii) The company has not accepted/granted any loan from/to companies; firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 except temporary advances and credits in the normal course of business.
- iv) In our opinion and according to the information and explanations given to us, there are no satisfactory internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have observed continuing failures to correct major weaknesses in internal controls in respect of inventory and fixed assets.
- v) (a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the transactions that need to be entered in to the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (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 the value of Rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) The company has not accepted any deposits from the public.
- vii) No internal audit system was prevailing in the company for the period under audit.
- viii) The Central Government has prescribed maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 in respect of manufacturing activity of the company. We have broadly reviewed the accounts and records of the company in this connection and are of the opinion that the prescribed accounts and records are not satisfactorily maintained.
- ix) (a) According to the information and explanations given to us, the company is not regular in depositing with the appropriate authorities undisputed statutory dues such as provident fund, employees state insurance income tax (TDS), and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no material undisputed amounts are payable in respect of income tax, wealth-tax, sales-tax, customs duty, excise duty, cess and other statutory

VICTORY PAPER AND BOARDS (INDIA) LIMITED

dues which are outstanding as on 31.03.2012 for a period of more than six months from the date on which they became payable.

- (c) According to the information and explanations given to us there are no material disputed liabilities pending before any forum except a disputed Sales tax liability aggregating Rs. 33.00 lakhs that have not been deposited on account of matters pending before The Hon. High Court of Kerala. Provident Fund liability of Rs. 9.47 lakhs that have not been deposited on account of matters pending before The Hon. High Court of Kerala.
- x) The accumulated losses of the company as at the end of the current financial year is more than its net worth. The company has incurred cash losses during the financial year covered by our audit. The losses were incurred during the immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the company is not regular in repayment of dues to financial institutions or banks. The company has defaulted in repayment of Term Loan of Rs. 5582708 and Cash Credit of Rs. 21707310. Both accounts have been classified as Non-Performing Asset by the bank from 18.10.2011. (See Note 3 & 5 of Notes forming part of the accounts)
- xii) According to the information and explanations given to us, the company has not granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore the provisions of clause 4(xiii) of the Companies (Auditors Report) order, 2003 are not applicable to the company.
- xiv) The company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditors Report) order, 2003 are not applicable to the company.
- xv) As per the information furnished to us the company has not given any guarantee for loans or advances made by others from bank or financial institutions.
- xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investment. However long term funds have been used to finance short-term assets.
- xviii) According to the information and explanations given to us, during the year company has not made preferential allotment of shares to Parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) According to the information and explanations given to us, the company has not issued any debentures so far.
- xx) During the period covered by our audit report, the company has not raised any money by public issues.
- xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

Thrissur
19-11-12

For Abraham & Jose
Chartered Accountants
FRN: 000010S
Sd/-
Jose Pottokaran
Partner
Membership No. : 0

VICTORY PAPER AND BOARDS (INDIA) LIMITED**BALANCE SHEET AS AT 31ST MARCH 2012**

Particulars	Note No	As at 31st March 2012	As at 31st March 2011
I. EQUITY AND LIABILITIES			
(1) Shareholder's Funds			
(a) Share Capital	1	130629000	130629000
(b) Reserves and surplus	2	-169295002	-167286993
(c) Money received against share warrants			
(2) Share application money pending allotment			
(3) Non-Current Liabilities			
(a) Long-term borrowings	3	14238260	14341704
(b) Deferred tax liabilities (Net)			
(c) Other Long term liabilities			
(d) Long term provisions	4	5269610	5942679
(4) Current Liabilities			
(a) Short-term borrowings	5	22134104	32508455
(b) Trade payables	6	222500469	217491708
(c) Other current liabilities	7	12977856	12881688
(d) Short-term provisions			
Total		238454297	246508241
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	8	89774806	96414533
(ii) Intangible assets			
(iii) Capital work-in-progress			
(iv) Intangible assets under development			
(b) Non-current investments			
(c) Deferred tax assets (net)			
(d) Long term loans and advances			
(e) Other non-current assets	9	43960687	43977232
(2) Current Assets			
(a) Current investments	10	75955334	76590513
(b) Inventories	11	21038438	20769121
(c) Trade receivables	12	1016140	2730867
(d) Cash and Bank Balances		0.00	0.00
(e) Short-term loans and advances		6708892	6025975
(f) Other current assets	13		
Total		238454297	246508241

The accompanying notes 1-30 and cash flow statement are an integral part of the financial statements.
This is the balance sheet referred to in our report of even date.

For Abraham & Jose

Chartered Accountants

FRN: 000010S

Sd/-

Jose Pottokaran

Partner

Membership No. : 012056

Thrissur/19.11.12

For and on behalf of the Board

Sd/-

Sri. K.P. Davis (Chairman Cum WTD)

Sd/-

Sri. K.P. Saxon (Mg. Director)

Sd/-

Sri. T.P. Geo (Non-Executive Director)

Kunnamkulam/19.11.12

VICTORY PAPER AND BOARDS (INDIA) LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2012**

Particulars	Note No	For the year ended 31st March 2012	For the year ended 31st March 2011
I. Revenue from operations	15	4518370	9095772
II. Other income	16	471877	515234
III. Total revenue (I + II)		4990247	9611006
IV. Expenses:			
Cost of materials consumed	17	0	2611557
Purchase of Stock-in-Trade	18	0	4596166
Changes in inventories of finished goods, work-in-progress and stock-in-trade	19	582486	214144
Employee benefit expenses	20	180000	1356280
Finance costs	21	8394663	8490350
Depreciation and amortization expenses	22	6977245	7150594
Other expenses	23	1220980	7491766
Total expenses		17355374	31910857
V. Profit before exceptional and extraordinary items and tax (III - IV)		(12365127)	(22299851)
VI. Exceptional items	24	10357118	Nil
VII. Profit before extraordinary items and tax (V - VI)		(2008009)	(22299851)
VIII Extraordinary items		Nil	Nil
IX. Profit before tax (VII - VIII)		(2008009)	(22299851)
X. Tax expenses:			
(1) Current tax		0	0
(2) Deferred tax		0	0
XI. Profit/(Loss) for the period (I X - X)		(2008009)	(22299851)
XII Earning per equity share of Rs.10/- paid up			
(1) Basic & Diluted (Before Exceptional Items)	25	(0.95)	(1.71)
(1) Basic & Diluted (After Exceptional Items)	26	(0.15)	(1.71)

The accompanying notes 1-30 and cash flow statement are an integral part of the financial statements.
This is the balance sheet referred to in our report of even date.

For Abraham & Jose

Chartered Accountants

FRN: 000010S

Sd/-

Jose Pottokaran

Partner

Membership No. : 012056

Thrissur/19.11.12

For and on behalf of the Board

Sd/-

Sri. K.P. Davis (Chairman Cum WTD)

Sd/-

Sri. K.P. Saxon (Mg. Director)

Sd/-

Sri. T.P. Geo (Non-Executive Director)

Kunnamkulam/19.11.12

VICTORY PAPER AND BOARDS (INDIA) LIMITED

NOTES FORMING PART OF ACCOUNTS

Note 1

SHARE CAPITAL

	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
a) Authorised		
13500000 Equity shares of Rs.10/- each	135000000	135000000
(Previous year 13500000 Equity shares of Rs.10/- each)		
Issued, Subscribed		
13500000 Equity shares of Rs.10/- each	135000000	135000000
(Previous year 13500000 Equity shares of Rs.10/- each)		
Less: Subscribed but not fully paid		
i. By Directors	0	0
ii. By Others	4371000	4371000
Paid Up Capital		
12844350 Equity shares of Rs.10/- each fully paid	128443500	128443500
437100 Equity shares of Rs.10/- each Rs.5 paid up	2185500	2185500
(Previous year 12844350 Equity shares of Rs.10/- each fully paid)		
(Previous year 437100 Equity shares of Rs.10/- each Rs.5 paid up)		
	<u>130629000</u>	<u>130629000</u>

b) Rights, Preferences & Restrictions attached to Equity shares.

The Equity shares of the company having par value of Rs.10/- per share rank pari-pasu in all respects including voting rights, entitlement to dividend and repayment of capital

c) The reconciliation of number of shares outstanding is set out below:

Particulars	Rs	Rs
Shares outstanding at the beginning of the year	13500000	13500000
Shares issued during the year	Nil	Nil
Shares bought back during the year	Nil	Nil
Shares outstanding at the end of the year	<u>13500000</u>	<u>13500000</u>

d) Company has only equity share capital and is not a subsidiary company, and has not issued shares for consideration other than cash, not issued any bonus shares or bought back any shares during the year or immediate preceeding four years.

e) Details of Shareholders holding more than 5% of Shares

Name of the Shareholder	No. of Shares	% held	No. of Shares	% held
Victory Press Private Limited	4751000	35.19	4751000	35.19
K P Saxon	678600	5.03	678600	5.03
K P Davis	1350800	10.01	1350800	10.01

Note 2

Reserves & Surplus

Surplus		
Opening balance	(167286993)	(144987142)
Add: Net Profit/(Loss) for the year	(2008009)	(22299851)
Add: Transfer from Reserves	0	0
	<u>(169295002)</u>	<u>(167286993)</u>
Less: Transfer to General Reserve	0	0
Less: Transfer to Special Reserve	0	0
Closing balance	<u>(169295002)</u>	<u>(167286993)</u>

VICTORY PAPER AND BOARDS (INDIA) LIMITED

FIXED ASSETS

Particulars	NET BLOCK		DEPRECIATION BLOCK		GROSS BLOCK	
	As at 31.03.2011	As at 31.03.2012	up to 31.03.2012	Addition/ (Deletion)	As on 31.03.2012	Addition/ (Deletion)
Land	7129355	7129355	0	0	7129355	0
Borewell	207313	203474	32045	3839	235519	0
Roads	3627488	3553415	990961	74073	4544376	0
Factory Building	17981165	17106592	9078235	874573	26184827	0
Other Building	14852907	14561547	3313279	291360	17874826	0
Plant & Machinery	47743157	43061167	51717558	5019508	94778725	337518
Electrical Fittings	4628683	3977984	8345856	650699	12323840	0
Office Equipments	83957	70332	216518	13625	286850	0
Other Equipments	94100	81220	189930	12880	271150	0
Furniture & Fittings	66406	29718	549876	36688	579594	0
Computer	1	1	375234	0	375235	0
Motor Vehicle	1	1	2380776	0	2380777	0
Total	96414533	89774806	77190268	6977245	166965074	337518
Previous year	104986001	96414533	70213023	7150594	166627556	1420874

VICTORY PAPER AND BOARDS (INDIA) LIMITED

Note 3

Long-term borrowings

- a) Term Loans - Secured
From Banks

As at 31st
March 2012
Rs.

As at 31st
March 2011
Rs.

14238260	14341704
14238260	14341704

- 1) Term Loan of Rs. 14238260 is secured by equitable mortgage of building and charge on machinery and other fixed assets. Collateral Security is provided by way of equitable mortgage of 52.87 acres of land and factory building. It is further secured by personal guarantees of Directors, K P Davis and K.P. Saxon
- 2) Term Loan is from Federal Bank and carries an Interest rate of 13%. Loan amount is repayable in 72 equal installments of Rs.321666. Due to lockout the company is not able to meet its financial obligations, hence the account has been classified as Non-performing Asset by the bank from 18.10.2011. The default in repayment of loan is Rs. 5582708, which consist of Rs. 2573328 towards principal and Rs. 3009380 towards interest.

Note 4

Long Term Provisions

- Provision for Employee Benefits

5269610	5942679
5269610	5942679

Note 5

Short-term borrowings

- a) Cash Credit - Secured
From Banks

22134104	32508455
22134104	32508455

- 1) Cash Credit from banks are secured by hypothecation of inventory and book debts. Collateral Security is provided by way of equitable mortgage of 52.87 acres of land and factory building and charge on Plant and Machinery and other fixed assets. It is further secured by personal guarantees Directors, of K P Saxon and K P Davis.
- 2) Cash Credit includes Rs.21707310 from Federal Bank. Due to lock out, the company is not able to meet its financial obligations, hence the account has been classified as Non-performing Asset by the bank from 18.10.2011. The default in repayment of loan is Rs. 21707310, which consist of Rs. 11293981 towards principal and Rs. 10413329 towards interest.

Note 6

Trade Payables

- a) Due to Micro, small and medium enterprises
b) Others

0	0
222500469	217491708
222500469	217491708

- 1) There are no Micro, Small and Medium Enterprises to whom the company owes dues, which are outstanding for more than 45 days as at 31st March, 2012. This information as required to be disclosed under the Micro, Small and Medium Enterprise Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.
- 2) Trade payables are subject to confirmation and reconciliation

VICTORY PAPER AND BOARDS (INDIA) LIMITED

As at 31st
March 2012
Rs.

As at 31st
March 2011
Rs.

Note 7

Other Current Liabilities

- a) Security Deposits
b) Expenses Payable
c) Statutory Dues Payable

700000	700000
8875875	8704105
3401981	3477583
12977856	12881688

- 1) Expenses payable includes sitting fees of Rs.220750 due to directors
- 2) The company has received a demand of Rs. 3329625 from Kerala Commercial Taxes Department account of disputed sales tax collected by the company. The company has disputed the demand Hon'ble High Court of Kerala and a favourable order has been received on 02.03.2012. We are awaiting for a favourable decision from Director of Industries and Commerce. This liability has been included 'Statutory Dues payable'.

Note 8

Fixed Assets

- Tangible Assets (Separately Attached)

89774806	96414533
89774806	96414533

Fixed Assets are stated at cost less accumulated depreciation.

Note 9

Other Non-current Assets

- Other receivables

43960687	43977232
43960687	43977232

The Company has paid Rs.43246187 to Kerala State Electricity Board towards disputed electricity charges after the dismissal of the Company's petition by the Hon. High court of Kerala against charging of disputed tariff by the Electricity board. The company has disputed the matter and filed an appeal before the Supreme Court of India. Our appeal was dismissed. However we have again filed a review petition before the Hon'ble Supreme Court of India and is expecting a favorable decision in the matter on the basis of favorable judicial decisions. Hence the amount of Rs.43246187 is shown under 'Other receivables'.

Note 10

Inventories

- Raw Materials
Work-in-progress
Finished Goods
Consumables, Stores and Spares

6272949	6272949
61417338	61417338
52452	634938
8212595	8265288
75955334	76590513

Note 11

Trade Receivables

- Debtors (unsecured and considered good)
- Outstanding for a period exceeding six months
- Others

20667788	20640316
370650	128805
21038438	20769121

Debtors are subject to confirmation and reconciliation

VICTORY PAPER AND BOARDS (INDIA) LIMITED

	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
Note 12		
Cash and Bank balances		
a) Cash and Cash Equivalents	38427	1849144
Cash on hand	142418	143171
With Scheduled Banks		
b) Other Bank Balances	835294	738552
Margin Money Deposit	1016140	2730867
(Margin money given for Bank Guarantee issued by Federal Bank)		
Note 13		
Other Current Assets	6010695	6010695
a) Security Deposits	23274	15280
b) Income Tax (TDS)	674923	0
c) Advance for Fixed Assets	6708892	6025975
Note 14		
Contingent Liabilities and Commitments		
1) Contingent Liabilities	Nil	Nil
a) Claims against company not acknowledged as debt	Nil	Nil
b) Guarantees	Nil	Nil
c) Other money for which the company is contingently liable	Nil	Nil
2) Commitments		
a) Estimated amount of contracts remaining to be executed on capital account and not provided for	Nil	Nil
b) Uncalled liability on shares and other investments partly paid	Nil	Nil
c) Other Commitments	Nil	Nil
Note 15		
Revenue from operations		
a) Sale of products	64602	9095772
- Paper sales		
b) Other operating revenues	4453768	0
- Scrap Sales	4518370	9095772
Note 16		
Other Income	123725	179089
Interest	5000	77019
Miscellaneous Income	0	259126
Profit on sale of Fixed Assets	335132	0
Agricultural Income	8020	0
Income Tax Refund	471877	515234

VICTORY PAPER AND BOARDS (INDIA) LIMITED

	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
Note 17		
Cost of materials consumed		
Raw material consumed	0	261151
Note 18		
Purchase of Stock-in-Trade		
Paper Purchases	0	459611
Note 19		
Changes in inventories of finished goods, work-in-progress and stock-in-trade		
Opening Stock	634938	84901
a) Finished Goods	61417338	6141733
b) Work-in-progress	62052276	6226642
Less: Closing Stock		
a) Finished Goods	52452	63493
b) Work-in-progress	61417338	6141733
	61469790	6205227
	582486	2141
Note 20		
Employee Benefit Expenses		
Salary & Allowances	180000	54000
ESI & PF	0	112051
Staff Welfare Expenses	0	6000
Gratuity	0	17561
	180000	135621
Note 21		
Finance costs		
Interest	8394663	849035
	8394663	849035
Note 22		
Depreciation and Amortization Expenses		
Depreciation of Fixed Assets	6977245	715051
	6977245	715051
Note 23		
Other Expenses		
Consumption of stores and spare parts	52693	40325
Rent	114000	11400
Electricity Charges	54945	21919
Other Expenses	0	42061
Advertisement	192952	5121
Printing & Stationery	3900	331
Sitting Fees	27000	3821

VICTORY PAPER AND BOARDS (INDIA) LIMITED

	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
Repair & Maintenance	0	168931
Telephone & Postage	13237	25925
Travelling expenses	0	47271
Rates,taxes&licence fee	89510	30099
Bank charges	61653	35164
Professional Charges	64500	30500
Payment to auditor	56180	60500
Insurance	129070	79922
TDS Interest	618	0
Sales Tax Paid	37016	32204
Agricultural Expenses	315331	0
Miscellaneous	8376	129284
Total	1220980	7491766

Note 24

Exceptional Items

Remission of Trading Liability	9725520	0
Excess provision written back	631598	0
	10357118	0

Note 25

Earning per Share

a) Basic & Diluted (Before Exceptional Items)

Net Profit/(Loss) for the year before exceptional item attributable to Equity shareholders	(12365127)	(22299851)
Weighted Average Number of Equity Shares in calculating EPS	13062900	13062900
Basic&Diluted Earnings Per Share before Exceptional Items	(0.95)	(1.71)

a) Basic & Diluted (After Exceptional Items)

Net Profit/(Loss) for the year after exceptional item attributable to Equity shareholders	(2008009)	(22299851)
Weighted Average Number of Equity Shares in calculating EPS	13062900	13062900
Basic&Diluted Earnings Per Share after Exceptional Items	(0.15)	(1.71)

Note 26

Related party Disclosures

1) Name of related party and relationship

Key Management Personal

K P Davis	- Whole Time Director
K P Saxon	- Whole Time Director
T P Geo	- Non-executive Director

Relatives of Key management personal and enterprise where transactions have taken place

Victory Computer Forms
Victory Paper Converters
Victory Press Private Limited

2) Remuneration Paid

The board of directors have decided not to draw any remuneration for the year 2011-2012

VICTORY PAPER AND BOARDS (INDIA) LIMITED

3) Sitting Fees Paid

	31.03.2012	31.03.2011
K P Davis - Whole Time Director	9000	9000
K P Saxon - Whole Time Director	9000	9000
T P Geo - Non-executive Director	9000	9000
K T Pavunny - Whole Time Director	Nil	4500
Moncy P Abraham - Small Shareholders Director	Nil	6750

4) Rent paid

Victory Press Private Limited	114000	114000
-------------------------------	--------	--------

5) Outstanding Balance in Trade Payables

Victory Computer Forms	54653834	52353434
Victory Paper Converters	4128320	4124570
Victory Press Private Limited	128091230	109851986
Hotel Victory International (Prop. K P Davis)	192000	0

Note 27

Segment Reporting

The company has only one business segment i.e. paper manufacturing and sales. Hence there is no reportable segments as per Accounting Standard-17 on 'Segment Reporting'.

Note 28

Deferred Tax

In consideration of the past record of the company and the prevailing uncertainty, no deferred tax asset has been recognized on prudent basis as per the Accounting Standard 22 on 'Accounting for tax expense'.

Note 29

Other Notes

- The company has not made any import of Raw material, Components and spares and Capital Goods during the year.
- The company has not incurred any expenditure in foreign currency during the year.
- The company has not paid any dividend in foreign currencies during the year to Non-resident shareholders.
- The Revised Schedule VI has become effective from 1st April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification/disclosure.

VICTORY PAPER AND BOARDS (INDIA) LIMITED

Note 30

SIGNIFICANT Accounting policies

1. Method of Accounting

The company prepares its accounts on accrual basis in accordance with the normally accepted accounting Principles.

2. Fixed Assets

Fixed assets are stated at cost net of cervat less accumulated depreciation and impairment loss, if any.

3. Depreciation

Depreciation on fixed assets has been provided on straight-line method at the rates specified in schedule XIV of the Companies Act, 1956.

4. Expenditure during construction period

Direct revenue expenses incurred for acquiring, erecting and commissioning fixed assets are allocated to capital cost of respective assets on their completion.

5. Inventories

All items of inventory are valued at cost or net realisable value whichever is lower on FIFO basis. Work-in-process is not considered for inventory valuation.

6. Foreign currency transactions

The expenditure on account of imports has been accounted at the rate prevailing on the date of transaction. The creditor if any on account of imports, outstanding at the end of the year is accounted at the rate prevailing on the last day of the year. The rate difference if material between the transaction date and the settlement date is recognized as income or expense in the year in which they arise.

7. Taxes on Income

Deferred tax assets/liabilities are recognized and carried forward only when there is virtual certainty of realization in accordance with accounting standard 22 on Accounting for taxes on income issued by the Institute of Chartered Accountants of India.

8. Employee benefits

The company has introduced Provident Fund and Employees state Insurance Scheme for the benefit of its employees. Provision for gratuity has been made in accordance with the Payment of Gratuity Act, 1972.

As per our report of even date

For Abraham & Jose
Chartered Accountants
FRN: 000010S

Sd/-
Jose Pottokaran
Partner
Membership No. : 012056
Thrissur/19.11.12

For and on behalf of the Board

Sd/-
Sri. K.P. Davis (Chairman Cum WTD)

Sd/-
Sri. K.P. Saxon (Mg. Director)

Sd/-
Sri. T.P. Geo (Non-Executive Director)

Kunnamkulam/19.11.12

VICTORY PAPER AND BOARDS (INDIA) LIMITED

VICTORY PAPER AND BOARDS (INDIA) LIMITED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012

	2011-12	2010-11
A. Cash flow from Operating Activities		
Net profit before tax and extraordinary items	(2008009)	(22299851)
Adjustment for:		
Depreciation	6977245	7150594
Interest paid	8394663	8490350
Interest received	(123725)	(179089)
Profit on Sale of Fixed Assets	0	(259126)
Remission of Trading Liability	(9725520)	0
Excess provision wirtten back	(631598)	0
Operating profit before working capital changes	2883056	(7097122)
Adjustments for changes in working capital -		
(Increase)/Decrease in Inventories	635179	214144
(Increase)/Decrease in Trade & Other Receivables	(252772)	6610001
(Increase)/Decrease in Other current assets	(682917)	(16545)
Increase/(Decrease) in Trade Payables	14734281	31854694
Increase/(Decrease) in Other Current Liabilities	96168	3056659
Increase/(Decrease) in Long term provisions	(41471)	175627
Cash generated from operating activities	17371524	34797458
Direct Taxes	0	0
Net cash from Operating Activities (A)	17371524	34797458
B. Cash flow from investing Activities:		
Purchase of Fixed Assets	(337518)	0
Interest Received	123725	179089
Sale of Fixed Assets	0	1680000
Net cash used in investing Activities (B)	(213793)	1859089
C. Cash flow from Financing Activities:		
Repayment of Term Loans	(103444)	(12377092)
Repayment of Short-Term borrowings	(10374350)	(14980071)
Finance Cost	(8394663)	(8490350)
Net Cash from Financing Activities (C)	(18872457)	(35847513)
Net Increase/Decrease in Cash & CashEquivalents (A+B+C)	(1714727)	809034
Cash & Cash Equivalents as at 01.04.2011 (Opening Balance)	2730867	1921833
Cash & Cash Equivalents as at 31.03.2012 (Closing Balance)	1016140	2730867

Note: 1. Figure in brackets represent outflows.

2. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure

As per our report of even date

For Abraham & Jose
Chartered Accountants
FRN: 000010S
Sd/-
Jose Pottokaran
Partner
Membership No. : 012056
Thrissur/19.11.12

For and on behalf of the Board

Sd/-
Sri. K.P. Davis (Chairman Cum WTD)

Sd/-
Sri. K.P. Saxon (Mg. Director)

Sd/-
Sri. T.P. Geo (Non-Executive Director)
Kunnamkulam/19.11.12