

Board of Directors

Sri. K. P. Davis
Sri. K. P. Saxon
Sri. T. P. Geo

Chairman
Managing Director
Independent Director

Bankers

THE FEDERAL BANK LIMITED
Kunnamkulam

Auditors

M/s. ABRAHAM & JOSE
Chartered Accountants
IX/467, Mission Quarters Road
Thrissur - 680001

**Company Secretary
(Consultant)**

Sri. T. R. SANGAMESWARAN, B. Com, L. L. B., FCS

Regd. Office

VICTORY PAPER AND BOARDS (INDIA) LIMITED
P. B. No. : 36, Victory Press Building
Kunnamkulam - 680503 Kerala, S. India
Phone : 222342, 222434, 225585, 223775 Fax : 04885-222494
E-mail : victorypress@dataone.in

Factory

IV/120-A, Mannukadu, P. O. Vengodi,
Elappully, Palakkad - 678 622
Phone : 2583409, 2583493. Fax : 0491 2583285

VICTORY PAPER AND BOARDS (INDIA) LIMITED

19 th Annual General Meeting at 10.00. a.m. on 27th December 2013

NOTICE

Notice is hereby given that the 19 th Annual General Meeting of the Shareholders of VICTORY PAPER AND BOARDS (INDIA) LTD, will be held at Chamber Tower, Kunnankulam on 27.12.2013, 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, 2013 along with the report of the Auditors and the Directors thereon.
2. To appoint auditors and fix their remuneration for the accounting year 2013 – 2014. The retiring Auditors M/s. Abraham & Jose Chartered Accountants, Thrissur are eligible for re-appointment.
3. To consider any other relevant subject if any.

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 27.11.2013 to 17.12.2013 (both days inclusive).

Kunnankulam,
31.08.2013

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 19th Annual Report of the Company with the Audited Statement of Accounts for the year ended 31st March 2013.

1. OPERATIONAL PERFORMANCE:

The company could not take any production during the year due to labour strike and lock out is still continuing. The management has entered a Memorandum of Understanding with trade unions and maintenance work in the company has completed. The Management has, even during the last month, seriously held discussions with Regional Joint Labour Commissioner, Ernakulam and the Labour Union to end the lock out of the Company. The Management is expecting a favourable decision within a couple of months' and start production at the earliest.

2. FUTURE PLAN OF ACTION:

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

3. FINANCIAL HIGHLIGHTS:

	Year ended 31-3-2013	Year ended 31-3-2012
Income from Operations	9760080	4518370
Other income	585075	471877
Total Income	10345155	4990247
Less: Cost of goods sold	0	582486
Operating expenses	929175	1400980
Interest	4722245	8394663
Profit/Loss before depreciation and tax	4693735	(5387882)
Less: Depreciation	6977245	6977245
Profit/(Loss) before exceptional and extraordinary items and tax	(2283510)	(12365127)
Exceptional Items	1069080	10357118
Less: Income Tax/Deferred Tax	Nil	Nil
Profit/(Loss) after exceptional and extraordinary items and tax	(1214430)	(2008009)
Add: Opening balance of Profit & Loss Account	(169295003)	(167286993)
Transferred to Balance Sheet	(170509433)	(169295002)

4. STATE OF AFFAIRS:

The company could not achieve any production for the last few years due to lock out. Although Memorandum of Understanding signed with the Labour Unions, it has not been implemented due to dispute with labours and the conciliation is in progress. We expect to settle the issue at the earliest. Even though the Company could not take production, the bank loan facility reduced from Rs .2.17 Crores to Rs.1 Crores. Moreover, the Company have also serviced an interest of Rs.47.22 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 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.

7. DIVIDEND

No dividend has been declared for this year since the company has not made any profit during the year under review.

VICTORY PAPER AND BOARDS (INDIA) LIMITED

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 2013-2014.

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 2012-13, 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. DIRECTORS' RESPONSIBILITY STATEMENT

In terms of the provisions of Section 217 (2AA) of the Companies Act 1956, your directors confirm:

- that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 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;
- 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;
- that the directors had prepared the annual accounts on a going concern basis.

14. REPLY TO QUALIFICATION IN AUDITORS REPORT

- The company was under 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 withdrawn and functioning of the office.
- 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 of the office.
- The company has sold old machinery scrap of Rs 9760080 during the year. The sale was genuine and effected on as was where was basis and the transaction was as per the prevailing norms.
- The company has paid Rs.432.46 lakhs 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 Supreme Court of India and the final judgment of the Hon. Supreme Court is awaited. Hence the amount of Rs.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'.

VICTORY PAPER AND BOARDS (INDIA) LIMITED

- The outstanding of Rs 21330153 is a genuine receivable amount and is recoverable once the company starts functioning.
- Provision for gratuity is made as per the Payment of Gratuity Act, 1972. The company will do actuarial valuation in future so as to comply with AS-15 on Employee Benefits.
- Internal audit is being conducted by the Company's own competent and qualified staff and the findings is verified by a qualified Chartered Accountant before sending it to the press.
- The company is facing financial crisis due to lockout. All pending statutory payments of P.F.W during the year under review other than the disputed liability of P.F. which is stayed by the Hon. High Court of Kerala. There was delay in making Sales Tax and TDS due to lock out which were paid subsequently.
- a) Auditors' report that they have not obtained all the information and Explanations necessary for the purpose of their audit. We have given all information required under the Companies Act, 1956 and other records were not up dated because of lock out. What prevented them from obtaining 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 the maintenance of books of accounts and compliance with the provisions of companies Act throughout the entire period of their audit, including March 31, 2013. The books like in the previous financial years have also been kept during the year under report.
- Cash Credit and Term Loan classified as 'Non-performing Accounts' by the bank from 18.10.2010. The company has closed the cash credit account and brought down the term loan account to Rs 1,53 lakhs during the year and balance will be paid in a couple of months' time. The bank has not taken any objection.
- Other comments of the Auditors' have been noted for future compliance.

15. CORPORATE GOVERNANCE

Auditors certificate on compliance of conditions of corporate governance and separate notes on compliance 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, 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 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, co-operation and support extended to your Company by the shareholders. The State Government Departments, The Securities and Exchange Board of India, Stock Exchanges, ROC, Bankers, Auditors, Cameo Corporate Services, 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.

Kunnamkulam
31.08.2013

By Order of the
For VICTORY PAPER AND BOARDS (INDIA) LIMITED

Sd/-
(K.P.Davis)
Chairman

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 2012-2013
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

		Current year	Previous year
1 Electricity:	Kwh	Nil	Nil
(a) Purchases:		Nil	Nil
Unit		Nil	Nil
Total amount		Nil	Nil
Cost per unit			
(b) Own generation:	Kwh		
(i) Through diesel generator		Nil	Nil
Unit		Nil	Nil
Unit per litre of diesel oil		Nil	Nil
Cost/unit			
(ii) Through steam turbine/generator			
Unit			
Unit per litre of fuel oil/gas			
Cost/unit			
2 Coal (specify quality and where used)		N.A	N.A
Quality (tonnes)			
Total cost			
Average rate			
3 Furnace oil		N.A	N.A
Quantity (k.ltrs.)			
Total amount			
Average rate		Nil	Nil
4 Others/internal generation (husk)		Nil	Nil
Total cost		Nil	Nil
Rate/tonne		Nil	Nil
B Consumption per unit of production	STANDARD (IF ANY)	CURRENT YEAR	PREVIOUS YEAR
Particulars			
Products:		Nil	Nil
Electricity		N.A	N.A
Furnace oil		N.A	N.A
Coal (Specify quality)		Nil	Nil
Others - husk			

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, 6 Board Meetings were held on April 30, July 30, October 30, November 19, 2012 and January 29, March 25, 2013. The composition of the Board of Directors and attendance of the directors at the Board meetings during the year and at the last Annual General Meeting and number of other directorships 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 Directorship	Other Board's directorships	
						Chairman	Non-Executive Director
Sri. K.P. Saxon	Yes	6	MD	Nil	1	1	
Sri. K.P. Davis	Yes	6	C & WTD	Nil	1	1	
Sri. T. P. Geo	Yes	6	NED	Nil	Nil	1	

C & WTD – Chairman & Whole Time Director MD-Managing Director, NED – Non-Executive 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 292 of the Companies Act, 1956, the committee reviews the adequacy and compliance of internal control and accounting and related functions. The committee reviews reports from accounts department

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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 2, July 10, October 8, 2012 and January 14, 2013 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, 2012 and March 30, 2013 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 29, December 31, 2012 and March 30, 2013 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

VICTORY PAPER AND BOARDS (INDIA) LIMITED

4. General Body Meetings

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

Financial year	Date	Time	Location
2011-2012	28.12.2012	10.00 am	Chamber Tower Kunnampkula
2010-2011	30.12.2011	10.00 am	Chamber Tower Kunnampkula
2009-2010	30.12.2010	10.00 am	Chamber Tower Kunnampkula

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 company.

6. Means of communication

The company has been disclosing corporate financial performance i.e. quarterly, half-yearly, annual audited financial results within 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) 19th Annual General Meeting

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

Time : 10 am

Date : 27th December, 2013

(ii) Tentative Financial Calendar.

Results for the quarter ending June 30, 2013	30/07/2013
Results for the quarter ending September 30, 2013	30/10/2013
Results for the quarter ending December 31, 2013	29/01/2014
Results for the year ending March 31, 2014	30/04/2014
Annual General Meeting	26/09/2014

(iii) Book Closure

The register of members and share transfer books shall remain closed from 27.11.2013 to 17.12.2013 both days inclusive.

(iv) Dividend payment date: No dividend has been proposed for the year 2012-13.

(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, Kaloor, 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, 2013 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

VICTORY PAPER AND BOARDS (INDIA) LIMITED

Details of Shareholding as on 31st March, 2013 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 form by all categories of investors. The Company has signed agreements with both the Depositories National Securities Depository Limited and Central Depositories Services (India) Limited. 16.80% the share Capital of the Company has already been dematerialized.
- (xiii) Outstanding GDRS/ADRS/Warrants or any convertible Instruments, conversion date and likelihood 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 2013 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
31-08-2013

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 report covering performance and outlook. The report contains expectations of the company's based on current environment. Many unforeseen and uncontrollable external factors could affect expectations.

BUSINESS ORGANIZATION:

The company is dealing only in paper manufacture and sales. The Company is having a 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 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 profit. According to the experts, as against the paper industry's growth rate of 8 to 10 %, the market for paper in the high-end segment is growing at 30 %. 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 absorb 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 results from the high-end segment.

II. Operational and Financial Performance

The summarized performance of the company is as under:

	(Rs in crores)	
	2012-2013	2011-2012
Sales	Nil	Nil
Net Profit	(0.12)	(0.20)

Paper Production

During the year 2012-13, there was no paper production due to plant lockout

Paper Sales Volume

There was no sale of paper during the year 2012-13 and 2011-12.

Trading Activity:

During the year the Company sold Scarp Items to the tune of Rs. 97.60 lakhs (Previous year Rs. 44.54 lakhs)

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

The company was in lock out during the year 2012-13 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.

AUDITORS' REPORT

THE MEMBERS OF VICTORY PAPER AND BOARDS (INDIA) LIMITED, KUNNAMKULAM, Thrissur - 6

Report on the Financial Statements

We have audited the accompanying financial statements of the Victory Paper and Boards (India) Ltd. Kunnamkulam Thrissur 680503 ("the company") as at 31st March, 2013 which comprise the Balance sheet as at March 31, 2013 and the statement of Profit & Loss and the Cash Flow statement for the year then ended and a summary of accounting policies and other explanatory information annexed thereto.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the standards on auditing issued by the Institute of Chartered Accountants of India. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates and disclosures made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for adverse Opinion

1. The company is manufacturer of different varieties of paper. The details of inventory valuation are not available for the Company. Also inventory records in respect of Raw Material, Finished Goods, Consumables, stores 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.
2. The company has made scrap sale of Rs. 9760080 during the year. The nature and description of items sold was not available. Hence we are unable to verify the correctness of these transaction.
3. The Company has paid electricity charges and interest thereon amounting to Rs 432.46 Lakhs to Kerala Electricity Board and shown under 'other receivables', which in our opinion should have been charged as an expenditure in the year it was incurred. (See note no.9 of the Notes forming part of accounts)
4. According to our opinion, Trade Receivable of Rs. 21330153 and Advance for Fixed Assets of Rs. 67492000 outstanding and is doubtful of recovery.
5. Debtors, Creditors and loans and advances are subject to confirmation & Reconciliation

VICTORY PAPER AND BOARDS (INDIA) LIMITED

Adverse Opinion

In our opinion and to the best of our information and according to the explanations given to us, and also for the effects of the matter described in the basis for Adverse Opinion paragraph and the annexure to the Independent Auditors Report, the financial statements does not give the information required by the Companies Act, 1956 in the manner so required and does not give a true and fair view in conformity with the accounting principles generally accepted in India:

- a). in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2013.
- b). in the case of the Profit and Loss account, of the "Loss" for the year ended on that date.
- c). in case of the Cash Flow statement, of the cash flows for the year ended on that date.

Report on other legal and Regulatory Requirements

1. As required by the companies (Auditors Report) Order, 2003 and as amended by the companies (Auditor's Report) (Amendment) Order, 2004 ("the Order") issued by the government of India in terms of sub-section 4A of section 227 of the companies Act 1956, we give in the Annexure, a statement on the matters specified in Paragraphs 4 and 5 of the said order.

2. As required by section 227 (3) of the Act, We report that-

- a. 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;
- b. 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;
- c. The Balance Sheet and statement of Profit and Loss account and Cash Flow statement dealt with by this report are in agreement with the books of accounts.
- d. In our opinion, the Balance sheet and statement of 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 our comments above.
- e. On the basis of written representations received from the directors, as on 31st March, 2013 and taken on record by the Board of Directors, None of the directors is disqualified as on 31st March, 2013 from being appointed as a director in terms of clause (g) of sub-section(1) of section 274 of the companies Act 1956.
- f. Since the Central Government has not issued any notification as to the rate of which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the company.

For Abraham & Jose
Chartered Accountants
FRN. 000010S

Sd/-
Jose Pottokaran
Partner
Membership No. : 012056

Thrissur
31-08-2013

VICTORY PAPER AND BOARDS (INDIA) LIMITED

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 of our Report of even date)

- i) (a) The Company has not satisfactorily maintained records showing particulars including quantities, 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 discrepancies were noticed on such verification. However we are unable to verify the reason of the same, as necessary documentary evidences were not made available for our verification.
- (c) In our opinion and according to the information and explanations given to us, there has been no significant disposal of fixed assets during the year.
- ii) (a) As explained to us the company has conducted physical verification at reasonable intervals 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 verification of stocks followed by the Management are reasonable and adequate or 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 proper records we are unable to ascertain whether discrepancies if any were noticed on physical verification of inventory.
- iii) The company has not accepted/granted any loan from/to companies; firms or other parties 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 relation to 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 entered 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) 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, employee's provident fund, insurance, income tax (TDS), Kerala Value added Tax and other material statutory dues applicable to it.

VICTORY PAPER AND BOARDS (INDIA) LIMITED

- (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 dues which are outstanding as on 31.03.2013, except Kerala value added tax of Rs.488004/- (2012-13) 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 statutory liabilities pending before any forum except a 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. Cash 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. 17012701/- and Cash Credit of Rs. 3297372/- 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 accounts)*
- xii) According to the information and explanations given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 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 taken 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.**

For Abraham & Jose
Chartered Accountants

FRN: 000010S

Sd/-

Jose Pottokaran

Partner

Membership No. : 012056

Thrissur
31-08-13

VICTORY PAPER AND BOARDS (INDIA) LIMITED**BALANCE SHEET AS AT 31ST MARCH 2013**

Particulars	Note No	As at 31st March 2013	As at 31st March 2012
I. EQUITY AND LIABILITIES			
(1) Shareholder's Funds			
(a) Share Capital	1	130629000	130629000
(b) Reserves and surplus	2	-170509433	-169295000
(c) Money received against share warrants			
(2) Share application money pending allotment			
(3) Non-Current Liabilities			
(a) Long-term borrowings	3	17012701	14238260
(b) Deferred tax liabilities (Net)			
(c) Other Long term liabilities	4	245359040	
(d) Long term provisions	5	4200530	5269610
(4) Current Liabilities			
(a) Short-term borrowings	6	3696528	22134104
(b) Trade payables	7	0	222500469
(c) Other current liabilities	8	564415	12977850
(d) Short-term provisions			
Total		230952782	238454297
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	9	82797561	89774806
(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	10	6010695	0
(e) Other non-current assets	11	65989037	43960687
(2) Current Assets			
(a) Current investments			
(b) Inventories	12	75955334	75955334
(c) Trade receivables	13	0	21038438
(d) Cash and Bank Balances	14	200155	1016140
(e) Short-term loans and advances		0	0
(f) Other current assets	15	0	6708892
Total		230952782	238454297

The accompanying notes 1-29 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 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/31.08.2013

For Abraham & Jose
Chartered Accountants

FRN: 000010S

Sd/-

Jose Pottokaran

Partner

Membership No. : 012056

Thrissur/31.08.2013

VICTORY PAPER AND BOARDS (INDIA) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2013

Particulars	Note No	For the year ended 31st March 2013	For the year ended 31st March 2012
I. Revenue from operations	17	9760080	4518370
II. Other income	18	585075	471877
III. Total revenue (I + II)		10345155	4990247
IV. Expenses:			
Cost of materials consumed			
Purchase of Stock-in-Trade			
Changes in inventories of finished goods, work-in-progress and stock-in-trade	19	0	582486
Employee benefit expenses	20	0	180000
Finance costs	21	4722245	8394663
Depreciation and amortization expenses	22	6977245	6977245
Other expenses	23	929175	1220981
Total expenses		12628665	17355375
V. Profit before exceptional and extraordinary items and tax (III - IV)		(2283510)	(12365128)
VI. Exceptional items	24	1069080	10357118
VII. Profit before extraordinary items and tax (V - VI)		(1214430)	(2008010)
VIII. Extraordinary items		Nil	Nil
IX. Profit before tax (VII - VIII)		(1214430)	(2008010)
X. Tax expenses:			
(1) Current tax		0	0
(2) Deferred tax		0	0
XI. Profit/(Loss) for the period (I X- X)		(1214430)	(2008010)
XII. Loss per equity share of Rs.10/- paid up			
(1) Basic & Diluted (Before Exceptional Items)	25	(0.17)	(0.95)
(1) Basic & Diluted (After Exceptional Items)		(0.09)	(0.15)

The accompanying notes 1-29 and cash flow statement are an integral part of the financial statements. This is the profit & loss referred to in our report of even date.

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/31.08.2013

For Abraham & Jose
Chartered Accountants
FRN: 0000109
Sd/-
Jose Pottokaran
Partne
Membership No. : 012056
Thrissur/31.08.2013

VICTORY PAPER AND BOARDS (INDIA) LIMITED

NOTES FORMING PART OF ACCOUNTS

Note 1

SHARE CAPITAL

a) Authorised

13500000 Equity shares of Rs.10/- each
(Previous year 13500000 Equity shares of Rs.10/- each)

Issued, Subscribed

13500000 Equity shares of Rs.10/- each
(Previous year 13500000 Equity shares of Rs.10/- each)

Less: Subscribed but not fully paid

i. By Directors

ii. By Others

Paid Up Capital

12844350 Equity shares of Rs.10/- each fully paid
437100 Equity shares of Rs.10/- each Rs.5 paid up
(Previous year 12844350 Equity shares of Rs.10/- each fully paid)
(Previous year 437100 Equity shares of Rs.10/- each Rs.5 paid up)

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

Shares outstanding at the beginning of the year

Shares Issued during the year

Shares bought back during the year

Shares outstanding at the end of the year

d) Company has only equity share capital and is not a subsidiary company, and has not issued shares 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

Add: Net Profit/(Loss) for the year

Add: Transfer from Reserves

Less: Transfer to General Reserve

Less: Transfer to Special Reserve

Closing balance

	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
13500000 Equity shares of Rs.10/- each	135000000	135000000
13500000 Equity shares of Rs.10/- each	135000000	135000000
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
Total	130629000	130629000
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	13500000	13500000
Opening balance	(169295003)	(167286993)
Add: Net Profit/(Loss) for the year	(1214430)	(2008010)
Add: Transfer from Reserves	0	0
Less: Transfer to General Reserve	(170509433)	(169295003)
Less: Transfer to Special Reserve	0	0
Closing balance	(170509433)	(169295003)
Total	(170509433)	(169295003)

VICTORY PAPER AND BOARDS (INDIA) LIMITED

FIXED ASSETS As on 31-03-2013

Particulars	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK	
	As on 01.04.2012	Addition/ (Deletion)	As on 31.03.2013	up to 01.04.2012	Addition/ (Deletion)	up to 31.03.2013	As on 31.03.2013	As on 31.03.2012
	Land	7129355	0	7129355	0	0	0	7129355
Borewell	235519	0	235519	32045	3839	35884	199635	203474
Roads	4544376	0	4544376	990961	74073	1065034	3479342	3553415
Factory Building	26184827	0	26184827	9078235	874573	9952808	162332019	17106592
Other Building	17874826	0	17874826	3313279	291360	3604639	14270187	14561547
Plant & Machinery	94778725	0	94778725	51717558	5019508	56737066	38041659	43061167
Electrical Fittings	12323840	0	12323840	8345856	650699	8996555	3327285	3977984
Office Equipments	286850	0	286850	216518	13625	230143	56707	70332
Other Equipments	271150	0	271150	189930	12880	202810	68340	81220
Furniture & Fittings	579594	0	579594	549876	36688	586564	-6970	29718
Computer	375235	0	375235	375234	0	375234	1	1
Motor Vehicle	2380777	0	2380777	2380776	0	2380776	1	1
Total	166965074	0	166965074	77190268	6977245	84167513	82797561	89774806
Previous year	166627556	337518	166965074	70213023	7150594	77190268	89774806	96414533

VICTORY PAPER AND BOARDS (INDIA) LIM

As at 31st
March 2013
Rs.

Note 3

Long-term borrowings

a) Term Loans - Secured
From Banks

17012701 14
17012701 14

- 1) Term Loan of Rs. 17012701/- (Previous year Rs. 14238260/-) is secured by equitable mortgage 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 and K.P. Saxon
- 2) Term Loan is from Federal Bank and carries an Interest rate of 13%. Loan amount is repayable in installments of Rs.321666. Due to lockout the company is not able to meet its financial obligations. This account has been classified as Non-performing Asset by the bank from 18.10.2011. The default in interest of loan is Rs.1,70,12,701/- (Previous year Rs. 5582708), which consist of Rs.1,42,38,260/- (Previous year Rs.2573328 towards principal and Rs. 27,74,441/- (Previous year Rs.3009380) towards interest.

Note 4

Other Long Term Liabilities

A. Trade Payables

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

0

B. Security Deposits

33781649

C. Expenses Payable

700000

D. Statutory Dues Payable

8859831

E. Advance from Customers

3329626

198687934

245359040

- 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 2013. This information as required to be disclosed under the 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.
- 3). Expenses payable includes sitting fees of Rs. 220750 (Previous Year Rs. 220750) due to directors.
- 4). The company has received a demand of Rs. 3329625 from Kerala Commercial Taxes Department on account of disputed sales tax collected by the company. The company has disputed the demand in the High Court of Kerala and a favourable order has been received on 02.03.2012. We are awaiting for a final decision from Director of Industrial and Commerce. This liability has been included in 'Statutory Dues Payable'.
- 5). Advance From Customers are mainly from Group concerns of Victory Paper and Boards (India) Limited.

Note 5

Long Term Provisions

Provision for Employee Benefits

4200530 526
4200530 526

VICTORY PAPER AND BOARDS (INDIA) LIMITED

	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
Note 6		
Short-term borrowings		
a) Cash Credit - Secured From Banks	3696528	22134104
	<u>3696528</u>	<u>22134104</u>

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. 3297372 (Previous year 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. 3297372 (Previous year Rs.21707310), which consist of Rs. 3219410 (Previous year Rs.11293981) towards principal and Rs. 77962 (Previous year Rs.10413329) towards interest.

Note 7**Trade Payables**

a) Due to Micro, small and medium enterprises	0	0
b) Others	0	222500469
	<u>0</u>	<u>222500469</u>

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, 2013. 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

Note 8**Other Current Liabilities**

a) Security Deposits	0	700000
b) Expenses Payable	76411	8875875
c) Statutory Dues Payable	488004	3401981
	<u>564415</u>	<u>12977856</u>

1) Statutory Dues Payable Rs. 4,88,004/- relating of KVAT of 5% Scarp Sales

Note 9**Fixed Assets**

Tangible Assets (Separately Attached)	82797561	89774806
	<u>82797561</u>	<u>89774806</u>

Fixed Assets are stated at cost less accumulated depreciation.

VICTORY PAPER AND BOARDS (INDIA) LIMITED

	As at 31st March 2013 Rs.	As at March Rs.
Note 10		
Long Term Loans & Advances		
Unsecured :		
Security Deposits	6010695	
	<u>6010695</u>	

Note 11**Other Non-current Assets**

a). Trade Receivables :		
Debtors (unsecured and considered good)		
- Outstanding for a period exceeding six months	21330153	
- Others	0	
b) TDS Receivable	23274	
c) Advance for Fixed Assets	674923	
d) Other receivables	43960687	43960687
	<u>65989037</u>	<u>43960687</u>

1). Debtors are subject to confirmation & Reconciliation

2). 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 the order of disputed tariff by the Electricity board. The company has disputed the matter and filed an appeal before Hon. Supreme Court of India. Our appeal was dismissed. However we have again filed a petition before the Hon'ble Supreme Court of India and is expecting a favorable decision in the near future on the basis of favorable judicial decisions. Hence the amount of Rs.43246187 is shown under 'Trade Receivables'.

Note 12**Inventories**

Raw Materials	6272949	6272949
Work-in-progress	61417338	61417338
Finished Goods	52452	52452
Consumables, Stores and Spares	8212595	8212595
	<u>75955334</u>	<u>75955334</u>

Note 13**Trade Receivables**

Debtors (unsecured and considered good)		
- Outstanding for a period exceeding six months	0	20667788
- Others	0	370650
	<u>0</u>	<u>21038438</u>

Debtors are subject to confirmation and reconciliation

Note 14**Cash and Bank balances****a) Cash and Cash Equivalents**

Cash on hand	167227	38427
With Scheduled Banks	32928	142419

VICTORY PAPER AND BOARDS (INDIA) LIMITED

	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
b) Other Bank Balances		
Margin Money Deposit	0	835294
	<u>200155</u>	<u>1016140</u>
Note 15		
Other Current Assets		
a) Security Deposits	0	6010695
b) TDS Receivable	0	23274
c) Advance for Fixed Assets	0	674923
	<u>0</u>	<u>6708892</u>

Note 16**Contingent Liabilities and Commitments**

1) Contingent Liabilities		
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 17**Revenue from operations**

a) Sale of products		
- Paper sales	0	64602
b) Other operating revenues		
- Scrap Sales	9760080	4453768
	<u>9760080</u>	<u>4518370</u>

Note 18

Other Income		
Interest	43185	123725
Miscellaneous Income	0	5000
Agricultural Income	500000	335132
Sundry Balance W/O	41890	0
Income Tax Refund	0	8020
	<u>585075</u>	<u>471877</u>

Note 19**Changes in inventories of finished goods, work-in-progress and stock-in-trade**

Opening Stock		
a) Finished Goods	52452	634938
b) Work-in-progress	61417338	61417338
	<u>61469790</u>	<u>62052276</u>

VICTORY PAPER AND BOARDS (INDIA) LIMITED

	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
Less: Closing Stock		
a) Finished Goods	52452	52452
b) Work-in-progress	61417338	61417338
	<u>61469790</u>	<u>61469790</u>
	<u>0</u>	<u>582486</u>

Note 20**Employee Benefit Expenses**

Salary & Allowances	0	180000
	<u>0</u>	<u>180000</u>

Note 21**Finance costs**

Interest	4722245	8394663
	<u>4722245</u>	<u>8394663</u>

Note 22**Depreciation and Amortization Expenses**

Depreciation of Fixed Assets	6977245	6977245
	<u>6977245</u>	<u>6977245</u>

Note 23**Other Expenses**

Consumption of stores and spare parts	0	52693
Rent	0	114000
Electricity Charges	88704	54945
Advertisement	151998	192952
Printing & Stationery	75	3900
Sitting Fees	0	27000
Legal Expenses	22600	0
Security Service Charges	170000	0
Annual Custody Fee	37079	0
Telephone & Postage	14612	13237
Travelling expenses	175	0
Rates, taxes & licence fee	1900	89510
Bank charges	27754	61653
Professional Charges	26011	64500
Payment to auditor	56000	56180
Insurance	500	129070
TDS Interset	0	618
Compounding Charges	320000	0
Sales Tax Paid	0	37016

VICTORY PAPER AND BOARDS (INDIA) LIMITED

	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
Agriculture Expenses	0	315331
TDS Paid	4319	0
Miscellaneous	7448	8376
Total	<u>929175</u>	<u>1220981</u>

Note 24 Exceptional Items

	0	9725520
Remission of Trading Liability	1069080	631598
Excess provision written back	<u>1069080</u>	<u>9725520</u>

Note 25 Loss per Share

a) Basic & Diluted (Before Exceptional Items)

Net Profit/(Loss) for the year before exceptional item attributable to Equity shareholders	(2283510)	(12365128)
Weighted Average Number of Equity Shares in calculating EPS	13062900	13062900
Basic&Diluted Loss Per Share before Exceptional Items	(0.17)	(0.95)

b) Basic & Diluted (After Exceptional Items)

Net Profit/(Loss) for the year after exceptional item attributable to Equity shareholders	(1214430)	(2008010)
Weighted Average Number of Equity Shares in calculating EPS	13062900	13062900
Basic&Diluted Loss Per Share after Exceptional Items	(0.09)	(0.15)

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 2012-2013

VICTORY PAPER AND BOARDS (INDIA) LIMITED

3) Sitting Fees Paid

		31.03.2013	31.03.2012
K P Davis	- Whole Time Director	Nil	90000
K P Saxon	- Whole Time Director	Nil	90000
T P Geo	- Non-executive Director	Nil	90000
K T Pavunny	- Whole Time Director	Nil	100000
Moncy P Abraham	- Small Shareholders Director	Nil	100000

4) Rent paid

Victory Press Private Limited	Nil	114000
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5) Outstanding Balance in Trade Payables

Victory Computer Forms	56688814	54653800
Victory Paper Converters	4143320	41283000
Victory Press Private Limited	137370830	128091200
Hotel Victory International (Prop. K P Davis)	Nil	192000

Note 27

Segment Reporting

The company has only one business segment i.e. paper manufacturing and sales. Hence there are 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 have been recognized on prudent basis as per the Accounting Standard 22 on 'Accounting for tax income'.

Note 29

Other Notes

- The company has not made any import of Raw material, Components and spares and Capital 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.

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.

VICTORY PAPER AND BOARDS (INDIA) LIMITED

2. Fixed Assets

Fixed assets are stated at cost net of cost 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 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/31.08.2013

For Abraham & Jose
Chartered Accountant
FRN: 000010

Sd/-
Jose Pottokara
Partner
Membership No. : 01205
Thrissur/31.08.2013

VICTORY PAPER AND BOARDS (INDIA) LIMITED

VICTORY PAPER AND BOARDS (INDIA) LIMITED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2013

	2012-13	2011-12
A. Cash flow from Operating Activities		
Net profit before tax and extraordinary items		
Adjustment for:	(1214430)	(20080)
Depreciation	6977245	69772
Interest paid	4722245	83946
Interest received	(43185)	(12372)
Profit on Sale of Fixed Assets	0	0
Remission of Trading Liability	0	(972552)
Excess provision written back	0	(63159)
Operating profit before working capital changes	10441875	28830
Adjustments for changes in working capital -		
(Increase)/Decrease in Inventories	0	6351
(Increase)/Decrease in Trade & Other Receivables	(7000607)	(25277)
(Increase)/Decrease in Other current assets	6708892	(68291)
Increase/(Decrease) in Trade Payables	22858571	1473428
Increase/(Decrease) in Other Current Liabilities	(12413441)	9616
Increase/(Decrease) in Long term provisions	(1069080)	(4147)
Cash generated from operating activities	19526210	1737152
Direct Taxes	0	0
Net cash from Operating Activities (A)	19526210	1737152
B. Cash flow from investing Activities:		
Purchase of Fixed Assets	0	(337518)
Interest Received	43185	12372
Sale of Fixed Assets	0	0
Net cash used in investing Activities (B)	43185	(213793)
C. Cash flow from Financing Activities:		
Repayment of Term Loans	2774441	(103444)
Repayment of Short-Term borrowings	(18437576)	(10374350)
Finance Cost	(4722245)	(8394663)
Net Cash from Financing Activities (C)	(20385380)	(18872457)
Net Increase/Decrease in Cash & Cash Equivalents (A+B+C)	(815985)	(1714727)
Cash & Cash Equivalents as at 01.04.2012 (Opening Balance)	1016140	2730867
Cash & Cash Equivalents as at 31.03.2013 (Closing Balance)	200155	1016140

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 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/31.08.2013

For Abraham & Jose

Chartered Accountant

FRN: 000010

Sd/-

Jose Pottokara

Partner

Membership No. : 01205

Thrissur/31.08.2013

AUDIT REPORT - 2012-2013, Annexure I to Form B

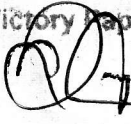
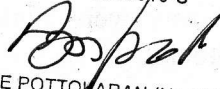
	Qualification	Management Response
1	The company is manufacturer of different varieties of paper and has been in lock out from 30.08.2009. The details of inventory valuation are not available with the company. Also inventory records in respect of raw material, finished goods, consumable, stores and spares and semi finished goods were not made available for our verification. Hence we are unable to verify compliance of accounting standard – to valuation of inventories.	The company introduced new varieties of paper from time to time. The factors of production relating to such items are not readily identifiable. The necessary inventory valuation will be complied with when the lock out is lifted and the office starts functioning.
2	The company has made scrap sale of rupees 9760080 during the year. The nature and description of items sold as scrap was not available. Hence we are unable to verify the correctness of these transaction.	The scrap sale was genuine transaction in the ordinary course of business as per prevailing norms
3	The company has paid electricity charge and interest thereon amounting to Rs.432.46 lakhs to KSEB and shown under “other receivables”, which in our opinion should have been charged as a revenue expenditure in the year it was incurred.	The amount paid to KSEB towards disputed charges after the dismissal of the company’s petition of High Court of Kerala subject to the final judgment of the Supreme Court which is awaited. Therefore it was not recognized as a revenue expenditure.
4	Accounting to our opinion, trade receivable of Rs.21330153 and advance for fixed asset of Rs.674923 is loan outstanding and is doubtful of recovery.	The outstanding of Rs.21330153.00 Is a genuine receivable amount and is recoverable on the company starts functioning.
5	We have not obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.	The Auditors report that they have not obtained all the information and explanation necessary for the purpose of their audit. We have given all the information required under the Company’s Act, 1956. But fixed assets and other records were not updated because of lockout. What prevented them from obtaining all the information and explanation are not explicitly mentioned. We are therefore, unable to comment on the same. The auditors have not reported any discrepancy in the maintenance of books of accounts and compliances of provisions of Companies Act, through out the entire period of their audit including March 31, 2013. Similar books like in the previous financial years have been kept during the year under report.
6	In our opinion paper books of accounts as required by law have not been kept by the company as far as appears from our examination of those books.	The company was under lock out 30.08.2009 and the office is not functional. The books and records will be updated and kept properly on lifting of the lock out.

7	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 <u>un-updated</u> fixed assets register and due to non availability of records of physical verification we are unable to ascertain the appropriateness of the same.	The company was under lock out 30.08.2009 and the office is not functional. So the fixed assets records were not updated. It will be updated as soon as the lock out is withdrawn.
8	In the absence of documentary evidence we are unable to ascertain whether the procedure of physical verification of stock followed by the management are <u>responsible</u> and adequate or in relation to the size of the company and the nature of its business	The company was under lock out 30.08.2009 and the office is not functional. The books and records will be updated and kept properly on lifting of the lock out.
9	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 weakness in internal controls in respect of inventory and fixed assets	The company was under lock out 30.08.2009 and the office is not functional. A formal internal control procedure will be implementing on lifting of the lockout.
10	No internal audit system was prevailing in the company for the period under audit.	The internal audit is being conducted by the Company's own competent and qualified staffs and verified by the Chartered Accountant.
11	The central Government as prescribed maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 in respect of manufacturing activities of the companies. 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.	The company was under lock out 30.08.2009 and the office is not functional. The books and records will be updated and kept properly on lifting of the lock out.
12	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), Kerala Value Added tax and other material statutory dues applicable to it.	The company is facing financial crisis due to lock out. All pending statutory payments of PF, are paid during the year other than the disputed liability of PF which is stayed by the High Court. The delay in making sale Tax and TDS dues is because of the lock out.

1 3	The accumulated losses of the company as at the end of the current financial year are more than its net worth. The company has incurred cash losses during the financial year covered by our audit. Cash losses were incurred during the immediately preceding financial year.	The company was under lock out 30.08.2009 and the office is not functional.
1 4	In our opinion and according to the information and explanations given to us, the company is not regular payment of dues to bank. The company has defaulted in repayment of term loan Rs.17012701.00 and Cash Credit of Rs.3297372.00 both accounts have been classified as nonperforming assets by <u>Federal Bank Ltd.</u> from 18.10.2011.	The cash credit and term loan classified as non performing accounts by the bank from 18.10. 2011. The company has closed the Cash Credit account and brought down the term loan account to Rs.82 lakhs during the year and balance will be paid in couple of months time. The bank has not taken any action.
1 5	Debtors, Creditors and loans and advances are subject to confirmation & Reconciliation.	Confirmations are being obtained.
1 6	As explained to as 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 evidence were not made available for our verification.	The company was under lock out 30.08.2009 and the office is not functional. The documents and records will be updated and kept properly on lifting of the lock out.
1 7	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.	The company was under lock out 30.08.2009 and the office is not functional. The documents and records will be updated and kept properly on lifting of the lock out.
1 8	In our opinion 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.	The company was under lock out 30.08.2009 and the office is not functional. The documents and records will be updated and kept properly on lifting of the lock out.

FORM - B

Covering letter of the annual audit report to be filed with the stock exchanges

1	Name of the Company	VICTORY PAPER AND BOARDS (INDIA) LIMITED
2	Annual financial statements for the year ended	31st March 2013
3	Type of Audit qualification	Qualifications/observations
4	Frequency of qualification	Repetitive since 2012
5	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report:	As per annexure-I
6	Additional comments from the board/audit committee chair:	The basic reason is the prolonged lock-out of operations of the company resulting in severe financial crunch and non-functioning of normal office. The company is continuously exploring various avenues to solve/rectify the problems at the earliest
7	signed by- · CEO/Managing Director · Auditor of the company · Audit Committee Chairman	For Victory Paper & Boards (I) Ltd.  Managing Director For ABRAHAM & JOSE FRN: 0000/0 S  JOSE POTTORARAN (No.012056) Partner Chartered Accountants 