

SHREE KARTHIK PAPERS LIMITED



AMOHA

Nineteenth Annual Report 2009-2010

SHREE KARTHIK PAPERS LIMITED

BOARD OF DIRECTORS

Sri. M.S.Velu

Chairman and Managing Director

Smt. S.S.Velu

Director

Sri. K.Arumugam

Director

Sri. P.Kanagavadivelu

Director

Sri. P.C.Narendran

Director

AUDITORS

M/s Giri & Co.,

Coimbatore.

REGISTERED OFFICE

No.25, 50 Feet Road
Krishnasamy Nagar
Ramanathapuram
Coimbatore - 641 045

REGISTRARS AND SHARE TRANSFER AGENTS

S K D C Consultants Limited
Kanapathy Tower, III Floor
1391/A 1, Sathy Road
Ganapathy, Coimbatore 641006.

LISTED STOCK EXCHANGES

Bombay Stock Exchange Limited
Floor 25, P.J.Towers, Dalal Street
Mumbai 400 001

The Coimbatore Stock Exchange Limited
Stock Exchange Building
Trichy Road,
Coimbatore 641 005

FINANCIAL INSTITUTION AND BANKERS

Industrial Development Bank of India Ltd.,

The Karur Vysya Bank Ltd.,

SHREE KARTHIK PAPERS LIMITED

NOTICE

Notice is hereby given that the Nineteenth Annual General Meeting of the Members of the Company will be held at Sree Annapurna Kalaiaragam, "GANGA HALL" 75, East Arokiyasamy Road, R.S.Puram, Coimbatore 641 002 on Monday the 20th day of December 2010 at 3.30 p.m. to transact the following business.

All members of the Company are requested to attend the meeting.

AGENDA

Ordinary Business:

1. To receive, consider and adopt the Directors' Report, Profit & Loss Account for the year ended 30th June 2010, the Balance Sheet as at that date and the Auditor's Report thereon.
2. To appoint a Director in the place of Sri P.C.Narendran, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in the place of Sri K.Arumugam, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

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. Such Proxy need not be a member of the Company.
2. The instrument of Proxies, in order to be effective must be received by the Company not less than 48 hours before the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 15.12.2010 to 20.12.2010 (Both days inclusive)
4. Members are requested to notify immediately of any change in their address to the Registrars and Share Transfer Agents M/s-S K D C Consultants Ltd., Kanapathy Towers, III Floor, 1391/A1, Sathy Road, Ganapathy, Coimbatore - 641 006.
5. Members are requested to bring their copies of Annual Report and Attendance Slip enclosed herewith duly filled in for attending the meeting.

Place : Coimbatore

Date : 22.11.2010

for and on behalf of the Board

(Sd.) M.S. Velu

Chairman and Managing Director

SHREE KARTHIK PAPERS LIMITED

DIRECTORS REPORT TO THE MEMBERS OF THE COMPANY:

Dear Shareholders,

The Directors of your Company take pleasure in presenting you the 19th Annual Report along with the Audited Accounts for the year ended 30th June 2010.

FINANCIAL RESULTS

(Rs. In Lacs)

| Particulars | 30.06.2010 (Current Year) | 30.06.2009 (Previous Year) |
|---------------------------------------|------------------------------|-------------------------------|
| Gross Income | 2041.44 | 2205.17 |
| Profit before interest & Depreciation | 259.51 | 52.18 |
| Financial Charges | 122.48 | 81.86 |
| Profit/(Loss) before Depreciation | 137.05 | (30.61) |
| Profit/(Loss) after Depreciation | 79.32 | (69.28) |
| Prior Period adjustments - Income | (0.95) | 6.48 |
| Provision for Fringe Benefit Tax | 0.00 | 0.31 |
| Deferred Tax | 9.51 | 8.25 |
| Net Profit/(Loss) | 68.85 | (71.36) |

DIVIDEND:

The Board of Directors do not recommend to pay dividend for the year ended under review in view of the accumulated losses.

FUTURE OUTLOOK:

The Paper Industry is going through a difficult phase due to the following reasons.

1. Newsprint is being imported at 'Nil' duty at very low rates due to dumping by foreign manufacturers and this has depressed the demand and prices of newsprint manufactured by Indian paper mills, thereby also affecting the demand of writing and printing paper as newsprint capacities are being diverted to writing and printing paper manufacture.
2. The installed capacity for writing and printing paper has increased significantly in the last 2 years thereby affecting the demand as well as prices of the paper manufactured by your Company and similar waste paper based manufacturing units.

This trend is expected to continue in the next year also.

SHREE KARTHIK PAPERS LIMITED

DIRECTORS:

The following Directors are due to retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-election.

1. Sri. P.C. Narendran
2. Sri. K. Arumugam

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION FOREIGN EXCHANGE EARNINGS AND OUTGO:

The required details in accordance with Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Directors) Rules, 1988 are given in Annexure 1 forming part of the report.

DIRECTORS RESPONSIBILITY STATEMENT:

In compliance to the Provisions of Section 217 (2AA) of the Companies Act, 1956 your Directors wish to place on record:-

- (i) that in preparing the Annual Accounts, all applicable accounting standards have been followed.
- (ii) that the accounting policies adopted are consistently followed and the judgments and estimates made 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 and Loss Account of the Company.
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/ detecting fraud and other irregularities.
- (iv) that the Directors have prepared the Annual Accounts on going concern basis.

CORPORATE GOVERNANCE:

Pursuant to the requirements of Listing Agreements with the Stock Exchanges, your Directors are pleased to annex the following:

1. Management Discussion and Analysis Report.
2. A Report on Corporate Governance
3. Auditors Certificate regarding Compliance of conditions of Corporate Governance.

AUDITORS:

Your Company's Auditor M/s Gji & Co, Colmbatore are due to retire at the ensuing Annual General Meeting and are eligible for re-appointment.

SHREE KARTHIK PAPERS LIMITED

PARTICULARS OF EMPLOYEES:

There are no employees who are in receipt of remuneration of more than Rs. 24,00,000/- per annum when employed throughout the year and Rs. 2,00,000/- per month when employed for a part of the year.

EMPLOYEES RELATIONS:

The Directors would like to place on record the cordial relations enjoyed with the employees by the Company.

ACKNOWLEDGEMENT:

The Directors acknowledge the co-operation, support and assistance rendered by the Financial Institution, Bank, Customers, Suppliers and the Employees of the Company.

for and on behalf of the Board

Place : Colmbatore
Date : 22.11.2010

Sd/- M.S. Velu
Chairman and Managing Director

SHREE KARTHIK PAPERS LIMITED

ANNEXURE:

Information pursuant to the Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988.

A. CONSERVATION OF ENERGY:

The Company is implementing adequate measures for reduction of consumption of energy. Total energy consumption and consumption per unit of production in Form A.

| a. Power & Fuel Consumption | 30.06.2010 | 30.06.2009 |
|---|----------------|-------------|
| 1. Electricity | | |
| a. Purchased | | |
| Units | 56,70,761 | 63,62,222 |
| Total amount (Rs.) | 2,36,33,093 | 2,48,27,173 |
| Rate per unit (Rs.) | 4.17 | 3.90 |
| b. Own Generator | | |
| i. Through Diesel/Generator | Nil | Nil |
| ii. Through Steam / Generator | Nil | Nil |
| 2. Coal | Nil | Nil |
| 3. Furnace | Nil | Nil |
| 4. Others: DOB and Saw Dust | | |
| Quantity (In tones) | 9305.35 | 9098.30 |
| Amount (Rs.) | 1,19,76,466 | 1,11,02,030 |
| 5. Consumption per unit of Production | | |
| Electricity units per ton | 560.59 | 585.19 |
| Others DOB units per ton | 0.92 | 0.83 |
| b. Technology absorption | | |
| Indigenous and upgraded technology alone are used | | |
| c. Foreign Exchange Earning and outgo | | |
| a. Steps are being taken to explore the possibility of exporting of writing and printing papers | | |
| b. Total Foreign Exchange earned and used excluding capital goods component and spares | Earned Used | Nil Nil |

SHREE KARTHIK PAPERS LIMITED

ANNEXURE :1

MANAGEMENT DISCUSSION AND ANALYSIS:

1. Industry Structure and Developments:-

With the increase in economic growth of the Country the requirement of paper is expected to improve significantly so that in the long term the demand should keep on increasing significantly. Paper industry in broad categories, consists of wood pulp based mills and waste paper based mills. With the shortage of wood in the Country and the pollution problems caused by the wood pulp based mills the future should be bright for the paper mills using non-conventional raw materials like waste paper and agricultural residues.

The Company has added pressure screens and head box to improve the quality of the paper, keeping in view the future requirements.

2. Opportunities and Threats:

There are good opportunities for growth, as the market for the products is expected to increase significantly in the coming years. However, the major threat facing the waste paper based industry is the incidence of excise duty from the year 2000. The waste paper based mills were receiving sustained support by way of excise duty exemption/major difference in excise duty compared to wood based paper mills till 2000. The industry has taken up with the Government to reduce significantly the excise duty on waste paper based paper.

3. OUTLOOK:

The outlook is gloomy in the near future due to availability of excess capacity and import of newsprint at low rates and at 'Nil' duty

4. RISKS AND CONCERNS:

- a. Rising prices and non-availability of waste paper in required quantities.
- b. Unwillingness of some customers to share price increase on inputs and the resulting pressure on margins.
- c. Import of Newsprint at 'Nil' duty at very low rates due to dumping by foreign manufacturers.

5. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

Internal control systems are designed to provide adequate financial control and accounting control and to implement accounting standards.

6. MATERIAL DEVELOPMENT IN HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED:

Cordial industrial relations have been maintained in the company. The company had 72 numbers of employees as on June 2010.

7. CAUTION:

The views and statements expressed or implied in the Managements Discussions and Analysis are based on available information, experience and our own assessment. They are subject to alterations. The Company's Actual performance may differ due to National or International economic conditions, Government Regulations, Policies, Tax Laws and other environmental factors over which the Company does not have any control.

SHREE KARTHIK PAPERS LIMITED

ANNEXURE: 2

REPORT ON CORPORATE GOVERNANCE

1. CORPORATE GOVERNANCE :

Company's philosophy on code of Governance.

Your Company firmly believes in good Corporate Governance and envisages the attainment of transparency in all matters of Management of the Company and in reporting to the Share Holders and all other concerned.

2. BOARD OF DIRECTORS :

a) The Board of Directors consists of 5 Directors. Of whom 3 are Independent Non-Executive Directors.

b) Attendance of each Director at the Board Meeting and the Last Annual General Meeting (AGM)

| Name of the Director | Category of Directorship | No. of Board Meeting Attended | Attendance of the Last AGM |
|-----------------------|------------------------------------|-------------------------------|----------------------------|
| Sri. M.S.Velu | Chairman & Managing Director | 4 | Present |
| Smt. S.S.Velu | Director | 4 | Present |
| Sri. K.Arumugam | Non Executive-Independent Director | 4 | Present |
| Sri. P.Kanagavadivelu | Non Executive-Independent Director | 4 | Present |
| Sri. P.C.Narendran | Non Executive-Independent Director | 2 | Present |

c) Number of other Companies or Committee the Directors of the Company is a Director / Member / Chairman.

| Name of the Director | No. of Directorship in other Boards | No. of Membership in Other Board / Committee | No. of Chairmanship in Other Board / Committee |
|-----------------------|-------------------------------------|--|--|
| Sri. M.S.Velu | 2 | 2 | 2 |
| Smt. S.S.Velu | 2 | 2 | Nil |
| Sri. K.Arumugam | Nil | Nil | Nil |
| Sri. P.Kanagavadivelu | Nil | Nil | Nil |
| Sri. P.C.Narendran | Nil | Nil | Nil |

d) Details of Board Meeting held during the Period from 01.07.2009 to 30.06.2010

| Sl.No | Date of the Meeting |
|-------|---------------------|
| 1. | 28-07-2009 |
| 2. | 31-10-2009 |
| 3. | 28-01-2010 |
| 4. | 29-04-2010 |

SHREE KARTHIK PAPERS LIMITED

3. AUDIT COMMITTEE:

The Audit Committee was formed by inducting the three Non-Executive Director under the Chairmanship of Sri.K. Arumugam with Sri:P.Kanagavadivelu and Sri.P.C.Narendran as members.

The details of Audit Committee Meeting held.

| Sl.No | Date of the Meeting |
|-------|---------------------|
| 1. | 27-07-2009 |
| 2. | 30-10-2009 |
| 3. | 27-01-2010 |
| 4. | 27-04-2010 |

Composition of Audit Committee and Meeting Attendance

| Sl. No. | Name of the Audit Committee Members | No. of Meeting held | No. of Meeting Attended |
|---------|-------------------------------------|---------------------|-------------------------|
| 1. | Sri. K.Arūmugam | 4 | 4 |
| 2. | Sri. P.Kanagavadivelu | 4 | 4 |
| 3. | Sri. P.C.Narendran | 4 | 4 |

The terms of reference to the Audit Committee are wide to cover all matters specified under the Listing Agreement with Stock Exchanges and the Companies Act, 1956.

4. REMUNERATION COMMITTEE:

The Remuneration Committee consists of Three Directors Viz., Sri.M.S.Velu, Sri.P.Kanagavadivelu and Sri.P.C.Narendran.

5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE:

The Committee reviews and approves transfers and transmission of equity shares and other related work.

The Board has constituted the Grievance Committee comprising of

| Sl.No. | Members |
|--------|------------------|
| 1. | Sri. M.S. Velu |
| 2. | Smt. S.S. Velu |
| 3. | Sri. K. Arumugam |

The Company has designated the Accounts Manager as the Compliance Officer.

SHREE KARTHIK PAPERS LIMITED

The Committee looks into the redress of shareholder's complaints like transfer of shares, non-receipt of Balance Sheet and other investors grievances. The Committee also oversees the performance of the Registrars & Transfer Agents.

No complaints were received from shareholders during 2009-10.

The total pending shares to be transferred as at 30.06.2010 was Nil.

6. GENERAL BODY MEETINGS:

| Financial year | Date | Time | Venue |
|----------------|------------|---------|---|
| 2006-07 | 31.12.2007 | 3.00 pm | Sree Annapoorna Kalai Arangam R.S.Puram, Coimbatore |
| 2007-08 | 31.12.2008 | 3.00 pm | Sree Annapoorna Kalai Arangam R.S.Puram, Coimbatore |
| 2008-09 | 21.12.2009 | 3.00 pm | Sree Annapoorna Kalai Arangam R.S.Puram, Coimbatore |

No special resolutions were put through postal ballot last year and nor is any proposed for this year

7. DISCLOSURES:

There are no materially significant party transactions that would have potential conflict with interests of the Company at large.

8. MEANS OF COMMUNICATION:

The Company is publishing quarterly un-audited financial results in Trinity Mirror(English) and Makkal Kural (Tamil) regularly.

9. THE PROFILE OF DIRECTORS RETIRING BY ROTATION ELIGIBLE FOR REAPPOINTMENT:

1. Sri P.C. Narendran

Sri P.C. Narendran is a graduate and has popularity in and around Coimbatore as a famous Agriculturist. He has wide contacts and your Company feels his capacity as a Director will fetch better results for the Company in the years to come.

2. Sri.K.Arumugam

Sri.K.Arumugam is well known Doctor in Pollachi wherein his hospital is situated. His wide contacts with people of different walks of life is a great boon to the Company.

SHREE KARTHIK PAPERS LIMITED

10. GENERAL SHARE HOLDERS INFORMATION:

1. Annual General Meeting

Date : 20th December 2010, Monday, 3.30 pm

Venue: Sree Annapurna Kalal Arangam, 75, East Aroklasamy Road, R.S.Puram, Coimbatore-641 002

2. Financial Calendar 2009-2010

First Quarterly Results Last Week of October 2009

Second Quarterly Results Last week of January 2010

Third Quarterly Results Last week of April 2010

Fourth Quarterly Results Last week of July 2010

3. Book Closure Date : 15.12.2010 – 20.12.2010

4. Dividend payment date : Not applicable

5. Listed on Stock Exchanges (s) : Mumbai and Coimbatore

11. REGISTRARS & SHARE TRANSFER AGENTS:

Company's Share Transfer work is handled by M/s SKDC Consultants Ltd, III Floor, Kanapathy Towers, 1391/A1, Sathy Road, Ganapathy, Coimbatore – 641 006

12. SHARE TRANSFER SYSTEM:

The Share Transfers are Registered and returned within a period of 20 days from the date of receipt, if the documents are in order. The share transfers are approved by the Share Transfer Committee.

13. SHAREHOLDING PATTERN AS ON 30.06.2010

| Sl.No. | Category | No of shares | % (Percentage) |
|--------|--|-----------------|----------------|
| 1. | Promoters | 15341700 | 80.28 |
| 2. | Mutual Funds, Banks, Financial Institution & Insurance companies | 1047800 | 5.48 |
| 3. | Foreign Institutional Investors | 95100 | 0.50 |
| 4. | NRIs / OCBs | - | - |
| 5. | Private Corporate Bodies | 474300 | 2.48 |
| 6. | Indian Public | 2151100 | 11.26 |
| | Total | 19110000 | 100.00 |

SHREE KARTHIK PAPERS LIMITED

14. DISTRIBUTION OF SHREHOLDING AS ON 30.06.2010

| No. of shares held | No. of Share holders | % | Amount | % |
|--------------------|----------------------|---------------|-----------------|---------------|
| Upto 5000 | 5822 | 96.46 | 4636000 | 4.85 |
| 5001 - 10000 | 69 | 1.19 | 542500 | 0.57 |
| 10001 - 20000 | 47 | 0.83 | 676500 | 0.71 |
| 20001 - 30000 | 37 | 0.64 | 940500 | 0.98 |
| 30001 - 40000 | 13 | 0.22 | 459000 | 0.48 |
| 40001 - 50000 | 11 | 0.18 | 526000 | 0.55 |
| 50001 - 100000 | 8 | 0.14 | 641500 | 0.67 |
| 100000 and above | 19 | 0.33 | 87128000 | 91.19 |
| Total | 5809 | 100.00 | 95550000 | 100.00 |

15. PLANT LOCATION:

Pullyangandi Aliyar Nagar
Kottur Village
Pollachi Taluk

16. ADDRESS FOR CORRESPONDENCE:

No. 25, 50 Feet Road
Krishnasamy Nagar
Ramanathapuram
Coimbatore - 641 045.

for and on behalf of the Board

Place : Coimbatore
Date : 22.11.2010

Sd/- M.S. Velu
Chairman and Managing Director

DECLARATION BY CEO OF THE COMPANY ON CODE OF CONDUCT

As per the revised clause 49 of the Listing Agreement with the Stock Exchange, the Board of Directors of the Company has laid down the code of conduct for the Directors and the senior management personnel. The Annual Report of the Company shall contain a declaration to this effect signed by CEO of the Company.

I hereby declare that,

1. Code of conduct adopted by the Board was circulated to the members of the Board and senior management personnel of the Company.
2. All members of the Board and Senior management personnel of the Company have complied with all the provisions of the code of conduct.

for and on behalf of the Board

Place : Coimbatore
Date : 22.11.2010

Sd/- M.S. Velu
Chairman and Managing Director

SHREE KARTHIK PAPERS LIMITED

COMPLIANCE CERTIFICATE FROM THE AUDITORS OF THE COMPANY

(Under clause 49 of the Listing Agreement)

The Members

M/s Shree Karthik Papers Limited

We have reviewed the implementation of Corporate Governance procedures by M/s Shree Karthik Papers Limited (the Company) during the year ended 30th June 2010 with the relevant records and documents maintained by the Company, furnished to us for our review and the report of Corporate Governance as approved by the Board of Directors.

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

We have conducted our review on the basis of the relevant records and documents maintained by the Company and furnished to us for the review and the information and explanations given to us by the Company.

Based on such a review, in our opinion, the Company has complied with the conditions of the Corporate Governance, as stipulated in clause 49 of the Listing Agreement.

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

Place: Coimbatore

Date: 22.11.2010

for GIRI & Co.,

Chartered Accountants

(Sd./-) R. GIRI

Partner

Membership No.: 25458

SHREE KARTHIK PAPERS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

GIRI & CO.,

Chartered Accountants

No.90, Arokiasamy Road East,
R.S. Puram,
Coimbatore - 641 002.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of SHREE KARTHIK PAPERS LIMITED as at 30th June 2010, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Companies (Auditor's Report) Order 2003, issued by the Central Government in terms of section of 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matter specified in paragraph 4 & 5 of the said order.
2. Further to our comments in the annexure referred to above, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.
 - c. The Balance Sheet, 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, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred in sub-section 3C of Section 211 of the Companies Act, 1956.

SHREE KARTHIK PAPERS LIMITED

- e. Based on representations made by the Directors of the Company and the information and explanations given to us, we report that none of the Directors of the Company are, prima facie, as at 30th June 2010, disqualified from being appointed as Directors of the Company in terms of clause (g) of sub section (1) of Section 274 of the Companies Act 1956.
- f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon, give the information so required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
- (i) In so far as it relates to the Balance Sheet of the State of Affairs of the Company as at 30th June 2010.
- (ii) In so far as it relates to the Profit & Loss Account of the profit of the Company, for the year ended on that date.
- AND
- (iii) In so far as it relates to the Cash Flow Statements of the cash flow of the Company, for the year ended on that date.

Place: Coimbatore
Date : 22.11.2010

for GIRI & Co.,
Chartered Accountants
(Sd./-) R. GIRI
Partner
Membership No.: 25458

SHREE KARTHIK PAPERS LIMITED

GIRI & CO.,
Chartered Accountants

No.90, Arokiasamy Road East,
R.S.Puram,
Coimbatore - 641 002.

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE AUDITORS' REPORT OF EVEN DATE

In terms of the information given to us and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state that:

1. In respect of its fixed assets:
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b. As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such physical verification.
 - c. The company has not disposed any of its assets during the year.
2. In respect of its inventories:
 - a. As explained to us, inventories have been physically verified by the management at regular intervals during the year.
 - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - c. The company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventories as compared to the book records.
3. In respect of loans, secured or unsecured, granted or taken by the company to / from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956:
 - a. During the year the company has financial transactions with the Directors as detailed below

| Name of the Directors | Balance as on 01.07.2009 | Closing Balance as on 30.08.2010 |
|-------------------------------|--------------------------|----------------------------------|
| M.S.Velu Managing Director | Rs.3,74,00,908/- | Rs.7,98,32,571/- |
| S.S.Velu Director | Rs.61,71,245/- | Rs.76,62,224/- |

SHREE KARTHIK PAPERS LIMITED

- b. The loans are unsecured. The Company is paying interest for the same.
 - c. The company has not granted any loans to any party or company. As such the sub Clause (d)4(iii) is not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchases of inventory, fixed assets and also for the sale of goods and Services. During the course of our audit, we have not observed any major weaknesses in internal controls.
5. In respect of transactions covered under section 301 of the Companies Act, 1956:
 - a. In our opinion and according to the information and explanations given to us, the transaction made in pursuance of contract or arrangements, that needed to be entered into in the register maintained under section 301 of the Companies Act, 1956, have been so entered.
 - b. The transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The company has not accepted any deposits from the public.
7. The Company has the Internal Audit System and is commensurate with the size of the Company and nature of its business.
8. The Central Government has prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, for the 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 prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
9. In respect of statutory dues:
 - a. The company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues applicable to the company.
 - b. According to the information and explanations given to us, there were no undisputed amounts payable in respect of the aforesaid dues as at 30th June 2010 for a period of more than six months from the date they become payable.
 - c. According to the information and explanations given to us, the following dues have not been deposited on account of disputes. The Company is confident of getting these claim quashed as the demands have been raised only on technical grounds.

SHREE KARTHIK PAPERS LIMITED

| Name of the statute No. | Nature of Dues | Forum where dispute Pending | Amount |
|-------------------------|----------------|--|-----------|
| Sales Tax | | | |
| a. 1995-1996 | Penalty | Sales Tax Appellate Tribunal (AB) (Appeal pending) | 2,21,858 |
| b. 1999-2000 (CST) | Tax | The Appellate Asst. Commissioner(Ct.)Cbe., | 15,88,951 |
| | Penalty | (Appeal pending) | 17,99,951 |
| c. 2000-2001 (CST) | Tax | The Appellate Asst. Commissioner(Ct.) Cbe., | 27,61,182 |
| | Penalty | (Appeal pending) | 29,43,768 |
| d. 2003-2004 (CST) | Tax | Sales Tax Appellate Tribunal (AB) (Appeal pending) | 4,44,575 |
| e. 2004-2005 (CST) | Tax | The Appellate Asst. Commissioner(Ct.)Cbe., | 15,25,088 |
| | Penalty | (Appeal pending) | 16,02,309 |
| f. 2004-2005 (TNGST) | Tax | The Appellate Asst. Commissioner(Ct.)Cbe., | 1,17,030 |
| | Penalty | (Appeal pending) | 58,515 |

10. The Company has not incurred cash loss during the financial year covered by our audit; and in the immediately preceding financial year, the company has incurred cash loss to the tune of Rs.30.60 lacs
11. The Company has not defaulted in repayment of dues to financial institutions or Banks.
12. In our opinion and according to the information and explanations given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, clause 4(xlii) of the Company's (Auditor's Report) Order, 2003, is not applicable to the Company.
14. The Company is not dealing or trading in shares, debentures and other investments.
15. The Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. The Company has not obtained any term loans during the year.
17. The Company has not utilized any funds raised on short term basis during the year, for long term investment.
18. During the year the Company has not made any preferential allotment of shares to parties and Companies covered in the Register maintained under section 301 of the Companies Act 1956.
19. The Company has not issued any debentures.
20. The Company has not raised any money by public issue.
21. 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.

Place: Coimbatore
Date: 22.11.2010

for GIRI & Co.,
Chartered Accountants
(Sd./-) R. GIRI
Partner
Membership No.: 25458

SHREE KARTHIK PAPERS LIMITED

Balance Sheet as on 30.06.2010

(in Rs.)

| Particulars | Schedule Reference | 30.06.2010 | 30.06.2009 |
|-------------------------------------|--------------------|------------------|------------------|
| I. Sources of Funds | | | |
| 1. Shareholders' Funds: | | | |
| a. Capital | 1 | 95550000 | 95550000 |
| b. Reserves and Surplus | 2 | 1380000 | 1380000 |
| 2. Loan Funds: | | | |
| a. Secured Loans | 3 | 10872847 | 14570807 |
| b. Unsecured Loans | 4 | 109580838 | 64656301 |
| 3. Deferred Tax liability | | 1487175 | 3019850 |
| TOTAL | | 216870860 | 179176958 |
| II. Application of Funds | | | |
| 1. Fixed Assets | | | |
| a. Gross Block | 5 | 216853890 | 178671630 |
| b. Less: Depreciation | | 119749031 | 113975752 |
| c. Net Block | | 97104859 | 64695878 |
| 2. Investment | | | |
| | 6 | 8500 | 8500 |
| 3. Deferred Tax Asset | | | |
| | | | 2484306 |
| 4. Current Assets, Loans & Advances | | | |
| Less : Current Liabilities | 7 | 122643065 | 104708843 |
| | 8 | 31208479 | 29928540 |
| Net Current Assets | | 91434586 | 74780303 |
| 5. Profit & Loss Account | | 30322916 | 37207971 |
| TOTAL | | 216870860 | 179176958 |
| Notes on Accounts | 14 | | |

Schedule 1 to 9 and Schedule 14 form an integral part of this Balance Sheet

(Sd./-) **M.S. VELU**
Chairman and Managing Director

(Sd./-) **Mrs. S.S. VELU**
Director

As per our report of even date

Place: Coimbatore
Date: 22.11.2010

for **GIRI & CO.,**
Chartered Accountants
(Sd./-) **R. GIRI**
Partner
Membership No.: 25458

SHREE KARTHIK PAPERS LIMITED

Profit and Loss Account for the year ended 30.06.2010

(in Rs.)

| Particulars | Schedule Reference | 30.06.2010 | 30.06.2009 |
|--|--------------------|-------------------|-------------------|
| INCOME | | | |
| Net Sales | | 204144423 | 220516680 |
| Other Income | 9 | 770318 | 564115 |
| TOTAL | | 204914741 | 221080795 |
| EXPENDITURE | | | |
| Increase in Stock of Finished Goods and Stock in Process | | (10754439) | 5378771 |
| Raw Materials Consumption | 10 | 127568414 | 137006911 |
| Other Expenses | 11 | 62149741 | 73569635 |
| Finance Charges | 12 | 12245929 | 6186033 |
| Depreciation | 5 | 5773278 | 3867451 |
| TOTAL | | 198982923 | 222630030 |
| Profit for the year | | 7931818 | (6928006) |
| Fringe Benefit Tax | | | 31500 |
| Deferred Tax | | 951634 | 825365 |
| Prior Period Adjustments - Net Income | 13 | (95219) | 648464 |
| TOTAL PROFIT | | 6885065 | (7136407) |
| Balance of Loss brought forward from previous year | | (37207971) | (30071564) |
| Balance being loss carried to Balance Sheet | | (30322916) | (37207971) |
| Earnings per Share | | 0.36 | (0.37) |
| Notes on Accounts | 14 | | |

Schedules 9 to 14 form an integral part of this Profit and Loss Account

(Sd./) **M.S. VELU**
Chairman and Managing Director

(Sd./) **Mrs. S.S. VELU**
Director

As per our report of even date

for **GIRI & CO.,**
Chartered Accountants
(Sd./) **R. GIRI**
Partner
Membership No.: 25458

Place: Coimbatore
Date: 22.11.2010

SHREE KARTHIC PAPERS LIMITED

Schedules to Balance Sheet as on 30.06.2010

(in Rs.)

| Particulars | 30.06.2010 | 30.06.2009 |
|---|--------------------|--------------------|
| 1. CAPITAL | | |
| AUTHORISED | 100,000,000 | 100,000,000 |
| 2,00,00,000 Equity-shares of Rs. 5/- each | | |
| ISSUED, SUBSCRIBED AND PAID UP | | |
| 1,91,10,000 Equity Shares of Rs.5/- each | 95,550,000 | 95,550,000 |
| The Capital Includes 10,00,000 Equity Shares of Rs.5/- each issued to IDBI in lieu of payment of interest to IDBI as per BIFR order dated 07.02.2007. The value of the shares are reduced by 50% as per the order of the BIFR dated 07.02.2007 | | |
| Total | 95,550,000 | 95,550,000 |
| 2. RESERVES AND SURPLUS | | |
| Capital Reserve | 1,380,000 | 1,380,000 |
| Total | 1,380,000 | 1,380,000 |
| 3. SECURED LOAN | | |
| A. Term Loans : | | |
| (Secured by first charge by way of equitable mortgage of all immovable properties and hypothecation of all movable assets (except book-debts) subject to prior charges created in favour of company's bankers on stock of raw materials, semi-finished and finished goods, consumable stores and such other movables for securing the borrowings for working capital requirement) | | |
| 1. Industrial Development Bank of India - Term Loan | 10,500,000 | 13,725,001 |
| 2. Sundaram Finance | 372,847 | 845,806 |
| Total | 10,872,847 | 14,570,807 |
| 4. UNSECURED LOANS | | |
| Interest free Sales tax Loan | 21,886,043 | 21,084,148 |
| Others | 87,594,795 | 43,572,153 |
| | 109,580,838 | 64,656,301 |

SHREE KARTHIK PAPERS LIMITED

SHREE KARTHIK PAPERS LIMITED

Figures in Rupees

Schedule : 5. FIXED ASSETS

| ASSET DESCRIPTION | GROSS BLOCK | | | DEPRECIATION | | | NET BLOCK | | |
|------------------------------------|-----------------------------|-------------------|--------------------|----------------------------|--------------------------|------------------------|----------------------------|----------------------------|----------------------------|
| | As on 01.07.2008. Rs. | Additions Rs. | (Deletions) Rs. | As on 30.06.2010 Rs. | Up to 01.07.08 Rs. | For the Year Rs. | Up to 30.06.2010 Rs. | As on 30.06.2010 Rs. | As on 30.06.2009 Rs. |
| Land & Land Development | 13,66,905 | - | - | 13,66,905 | - | - | - | 11,356,905 | 1,356,905 |
| Garden Development | 1,37,500 | - | - | 1,37,500 | - | - | - | 137,500 | 137,5000 |
| Building | 32,854,296 | 790,201 | - | 33,444,486 | 11,359,852 | 1,116,362 | 12,476,314 | 20,368,182 | 21,294,343 |
| Plant & Machinery | 111,293,767 | 29,583,690 | - | 140,857,476 | 66,484,603 | 2,687,489 | 89,171,992 | 51,685,484 | 24,809,284 |
| Electrical Installation & Fittings | 20,588,285 | 7,608,180 | - | 28,207,465 | 10,491,592 | 1,232,275 | 11,729,867 | 16,483,598 | 10,108,693 |
| River Pipeline | 77,84,664 | - | - | 7,784,664 | 4,272,873 | 369,772 | 4,842,744 | 3,141,920 | 3,511,691 |
| Furniture & Fixings | 837,490 | - | - | 837,490 | 391,821 | 53,013 | 444,834 | 392,659 | 445,669 |
| Office Equipments | 1,363,918 | 172,700 | - | 1,538,618 | 428,131 | 68,568 | 494,699 | 1,041,918 | 935,787 |
| Motor Vehicles | 2,571,149 | 46,401 | - | 2,617,640 | 518,945 | 244,302 | 763,246 | 1,854,394 | 2,052,204 |
| Miscellaneous Assets | 79,637 | - | - | 79,637 | 27,837 | 3,498 | 31,335 | 42,302 | 48,800 |
| Total | 178,671,630 | 38,182,260 | - | 216,853,890 | 113,673,753 | 5,773,279 | 119,749,031 | 97,104,859 | 64,695,677 |

SHREE KARTHIK PAPERS LIMITED

| Particulars | 30.06.2010 | 30.06.2009 |
|---|--------------------|--------------------|
| 6. INVESTMENTS | | |
| Government Securities: | | |
| Kisan Vikas Patra | 8,000 | 8,000 |
| National Savings Certificate | 500 | 500 |
| | <u>8,500</u> | <u>8,500</u> |
| 7. CURRENT ASSETS, LOANS & ADVANCES | | |
| a. Inventories | | |
| (As valued and certified by the management) | | |
| Stores, Consumables and Spares at cost | 7,737,781 | 3,156,782 |
| Raw Materials | 16,463,180 | 11,804,766 |
| Finished Goods | 8,813,605 | 1,268,446 |
| Stock-in-process | 5,238,196 | 2,028,916 |
| Fuel | 551,108 | 147,173 |
| | <u>38,803,850</u> | <u>18,406,083</u> |
| b. Sundry Debtors - Unsecured considered good | | |
| Outstanding for a period more than six months | 10,636,270 | 13,042,680 |
| Others | 57,474,126 | 44,942,521 |
| | <u>68,110,396</u> | <u>57,985,201</u> |
| c. Cash and Bank Balances | | |
| Cash on hand | 220,646 | 871,240 |
| Balances with Scheduled Banks in current Account | 741,365 | 2,933,154 |
| | <u>962,010</u> | <u>3,804,393</u> |
| d. Loans and Advances (Unsecured considered good) | | |
| Advances receivable in cash or kind or for value to be received | 6,227,706 | 15,487,731 |
| 1. Deposits | 5,290,124 | 6,116,584 |
| 2. Deposits with excise Departments | 336,778 | 183,639 |
| 3. Tax deducted at source | 372,338 | 307,972 |
| 4. Sales Tax - Advance | 2,539,862 | 2,417,240 |
| | <u>14,766,808</u> | <u>24,513,186</u> |
| Total Current assets | <u>122,643,065</u> | <u>104,708,843</u> |
| 8. CURRENT LIABILITIES | | |
| Creditors - Supplies | 21,713,164 | 18,765,244 |
| Creditors - Expenses & others | 9,173,508 | 9,405,196 |
| Advance from customers | 178,252 | 1,606,986 |
| Tax deducted at source | 143,556 | 451,114 |
| | <u>31,208,479</u> | <u>29,928,540</u> |

SHREE KARTHIK PAPERS LIMITED

Schedules to Profit and Loss Account for the year ended 30.06.2010

| Particulars | 30.06.2010 | 30.06.2009 |
|---|------------------|------------------|
| 9. OTHER INCOME | | |
| Interest | 284050 | 309597 |
| Miscellaneous Receipts | 486268 | 254418 |
| | 770318 | 564115 |
| 10. RAW MATERIALS CONSUMED - WASTE PAPER | | |
| Opening Stock | 11804766 | 21894152 |
| Add: Purchases and Expenses | 132226808 | 126917525 |
| | 144031574 | 148811677 |
| Less : Closing Stock | 16463160 | 11804766 |
| | 127568414 | 137008911 |
| CONSUMPTION | | |
| OTHER EXPENSES | | |
| Salary and Wages | 6070590 | 4404059 |
| Stores, Spares, tools dye stuffs | 9593776 | 14124420 |
| Provident fund | 317861 | 281128 |
| Repairs and Maintenance | | |
| Machinery Maintenance | 13061 | - |
| Office Equipments Maintenance | 3841874 | - |
| Electrical Maintenance | 26135 | - |
| Vehicle Maintenance | 465876 | 11427134 |
| | 4823509 | 11427134 |
| Gratuity | | 264670 |
| Bonus & Exgratia | 361424 | 300000 |
| Rent | 288000 | 288000 |
| Power, Fuel and Water charges | 35954101 | 36626432 |
| Insurance | 230582 | 155813 |
| Rates and Taxes | 291580 | 955031 |
| Rebate, Commission and Discount | 301021 | 24373 |
| Packing and Forwarding | 3061623 | 3446902 |
| Advertisement | 28948 | 15471 |
| Postages, Telegrams and Telephone | 230018 | 287288 |
| General Expenses | 457949 | 608021 |
| Remuneration to Auditors | | |
| For Audit | 60960 | 40000 |
| Out of Pocket Expenses | 2800 | 34074 |
| For Tax Audit | 15000 | 15000 |
| Service Tax | | 7710 |
| Internal Audit Fees | 60000 | 60000 |
| Loss on sale of Fixed Assets | | 204109 |
| | 62149741 | 73569635 |

SHREE KARTHIK PAPERS LIMITED

Schedules to Profit and Loss Account for the year ended 30.06.2010

| Particulars | 30.06.2010 | 30.06.2009 |
|--|-----------------|----------------|
| 12. FINANCE CHARGES | | |
| Interest on Term Loans | 684387 | 771246 |
| Interest on Others | 11434011 | 7140685 |
| Bank Charges | 127531 | 274102 |
| | <u>12245929</u> | <u>8186033</u> |
| 13. PRIOR YEAR ADJUSTMENTS | | |
| INCOME | | |
| - Provision for expenses withdrawn | 346575 | 124864 |
| Interest | - | - |
| Excise Duty | - | - |
| Electricity Charges - Exemption | - | 540461 |
| Depreciation excess provision withdrawn | - | - |
| Total (A) | <u>346575</u> | <u>665325</u> |
| EXPENSES | | |
| Sales Tax | 84074 | - |
| Provident Fund | - | - |
| Excise Service tax credit | 315 | - |
| Telephone Deposit | 261 | - |
| Packing | - | 16861 |
| Debtors no longer receivable | 121054 | - |
| Creditor Transferred to No Longer Payable now paid | 23500 | - |
| Total (B) | <u>441704</u> | <u>16861</u> |
| Net Adjustments (A-B) Income | <u>(95129)</u> | <u>648464</u> |

(Sd./-) **M.S. VELU**
Chairman and Managing Director

(Sd./-) **Mrs. S.S. VELU**
Director

As per our report of even date

for **GIRI & CO.,**
Chartered Accountants
(Sd./-) **R. GIRI**
Partner

Membership No.: 25458

Place: Coimbatore
Date: 22.11.2010

SHREE KARTHIK PAPERS LIMITED

Schedule: 14

NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

a. ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention on accrual basis and in accordance with the mandatory accounting standards issued by the Institute of Chartered Accountants of India.

b. FIXED ASSETS

Fixed Assets are stated at cost (less CENVAT, wherever applicable). Cost includes related duties, taxes, freight and installation expenses.

c. DEPRECIATION

Depreciation on the assets have been provided on Straight Line Method as per Schedule XIV of the Companies Act, 1956.

d. INVESTMENTS

Investments being long term are stated at Cost.

e. INVENTORIES

Finished Goods At Cost

Stock in Process At Cost

Raw Materials At Cost

Consumable & Stores Fuel Item At Cost

f. GRATUITY

Provision for gratuity has been made for the eligible employee.

2. CONTINGENT LIABILITIES

Contingent liabilities have not been provided for. The same will be met as and when they arise.

3. SALES

Net sales include sale of products manufactured exclusive of Excise Duty and Sales/VAT Tax charged to customers. It comprises of direct sales and consignment sales.

4. As required by MSME Development Act 2006, the dues outstanding for more than 45 days to Micro, Small and Medium Enterprises are given below:-

Jaya Enterprises Rs.4,44,969/-

Venkateswara Minerals Rs.2,84,676/-

Amaravathi Tubes Rs. 1,95,547/-

The Company has not received from its vendors/suppliers about their status under the MSME Development Act 2006 and hence disclosing the amounts unpaid as at the end of the year.

SHREE KARTHIK PAPERS LIMITED

5. Sundry Debtors, Creditors, Unsecured Loans and Loans and Advances are subject to confirmation and reconciliation and are stated at the book balance thereof. Similarly, the balance of Share Application money with Vysya Bank is subject to confirmation and reconciliation.

6. The company is not covered by E S I regulation.

7. Remuneration to auditors includes:

| | 30.06.2010 | 30.06.2009 |
|--------------------|------------|------------|
| a. Statutory Audit | | |
| Fee for audit | 40,000/- | 40,000/- |
| Fee for Tax Audit | 15,000/- | 15,000/- |
| For Expenses | 30,000/- | 30,000/- |
| For Service Tax | 7,210/- | 7,210/- |
| b. Internal Audit | 30.06.2010 | 30.06.2009 |
| Fee for audit | 60,000 | 60,000 |

8. Sri M S Velu, Managing Director and Smt S S Velu, Director, have provided their personal guarantee to the term loans availed by the company.

9. Information pursuant to provisions of part II of Schedule VI of the Companies Act 1956.

A. Quantitative Information 30.06.2010 30.06.2009

i) MANUFACTURING ACTIVITY :-

Installed Capacity and Production

| | | |
|-----------------------|-----------|-------------|
| a. Installed Capacity | 13,350 MT | - 13,350 MT |
| b. Actual Production | 10,380 MT | 10,872 MT |

Sale of Finished Goods – Paper

| | |
|-------------------|-------------------|
| 100,14 MT | 10,647 MT |
| Rs.20,41,44,423/- | Rs.22,05,16,680/- |

Raw Material Consumption :

| | | |
|--------------------------|-------------------|-------------------|
| Waste Paper – Indigenous | 15,553 MT | 16,739 MT |
| | Rs.12,75,68,414/- | Rs.13,70,06,911/- |

Chemicals

| | |
|----------------|------------------|
| Rs.95,84,965/- | Rs.1,41,24,420/- |
|----------------|------------------|

Stock of Finished Goods

| | | |
|-----------------------|----------------|----------------|
| Closing Stock – Paper | 427.97 MT | 61.72 MT |
| | Rs.88,13,805/- | Rs.12,68,446/- |

10. TAXATION

The company has no liability towards income tax, due to its accumulated losses.

Deferred tax Liability is recognized on timing differences of depreciation between Income Tax and Books of Accounts. The benefit of carry forward losses permissible, which company is certain to realize with future profit is arrived as Deferred Tax Asset. The Net of DTA and DTL is recognized in the financial statement.

SHREE KARTHIK PAPERS LIMITED

11. RELATED PARTY TRANSACTION

- a. Relationship : Associate Company Shree Ganesh Gears Pvt.,Ltd
b. Nature of Transactions : Purchase of wind energy power Rs.45,87,205/-
c. Outstanding balance as on 30.06.2010 : Rs.88,01,165/-
d. Amount Paid during the year : Rs. 34,80,789/-

12. SEGMENT REPORTING

The Company manufactures and sells only one product, namely writing and printing papers. The company finds no risks involved in the revenue and expenses of the transaction.

13. EXPENDITURE IN FOREIGN CURRENCY

- a. Value of imports on CIF basis during the year : NIL
b. Expenditure in Foreign Currency during the year : NIL
c. Earnings in Foreign Currency during the year : NIL

14. DETAILS OF REMUNERATION TO DIRECTORS:

| | 30.06.2010 | | 30.06.2009 | |
|----------------|-------------|----------|------------|----------|
| | M. Director | Director | M,Director | Director |
| a. Salary | NIL | NIL | NIL | NIL |
| b. Perquisites | NIL | NIL | NIL | NIL |

15. Previous year figures have been regrouped / rearranged wherever necessary to confirm to this year's classification / comparison.

(Sd./-) M.S. VELU
Chairman and Managing Director

(Sd./-) Mrs. S.S.VELU
Director

As per our report of even date

for GIRI & CO.,
Chartered Accountants
(Sd./-) R. GIRI

Partner

Membership No.: 25456

Place: Coimbatore
Date : 22.11 2010

SHREE KARTHIK PAPERS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 30.06.2010

(Rs. in Lacs)

| Particulars | | 30.06.10 |
|---|---------|----------|
| A) CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit before Tax and Extraordinary Items, ADJUSTMENT FOR | | 78.37 |
| Depreciation | | 57.73 |
| Operating Loss before Working Capital Changes ADJUSTMENT FOR WORKING CAPITAL CHANGES | | 136.10 |
| Increase in Inventories | 203.98 | |
| Increase in Sundry Debtors | 101.25 | |
| Increase in Loans & Advances | (97.46) | |
| Decrease in Current Liabilities | (12.80) | 194.97 |
| Net Cash from Operating Activities | | -(58.87) |
| Less: Deletion in Fixed Assets | | |
| Add: Reduction in Equity | | 0.00 |
| Less: Investments in Fixed Assets | | 381.82 |
| | | (440.69) |
| NET CASH USED IN FINANCING ACTIVITIES | | |
| Increase in Equity | | |
| Increase in secured loans | (36.98) | |
| Increase in unsecured loans | 449.25 | 412.27 |
| NET RESULT | | (28.42) |
| Cash and Cash equivalent as at 30th June 2009 | | 38.04 |
| Cash and Cash equivalent as at 30th June 2010 | | 9.62 |
| NET RESULT | | (28.42) |

(Sd./-) M.S. VELU
Chairman and Managing Director

(Sd./-) Mrs. S.S.VELU
Director

As per our report of even date

Place: Coimbatore
Date: 22.11.2010

for GIRI & CO.,
Chartered Accountants
(Sd./-) R. GIRI
Partner
Membership No.: 25458

SHREE KARTHIK PAPERS LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S BUSINESS PROFILE

| | |
|--|-------------------------|
| I. REGISTRATION DETAILS | |
| Registration No. | 181-3570 |
| State Code No. | 18 |
| Balance Sheet Date | 30.06.2010 |
| II. CAPITAL RAISED DURING THE YEAR (Rs. in Lakhs) | |
| Public Issue | NIL |
| Right Issue | NIL |
| Bonus Issue | NIL |
| Private Placement | NIL |
| III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Rs. in Lakhs) | |
| Total Liabilities | 2500.79 |
| Total Assets | 2500.79 |
| SOURCE OF FUNDS | |
| Paid-up capital | 955.50 |
| Reserve & Surplus | 13.80 |
| Deferred tax liability | 14.87 |
| Secured Loans | 108.73 |
| Unsecured Loans | 1095.81 |
| APPLICATION OF FUNDS | |
| Net Fixed Assets | 971.05 |
| Investment | 0.08 |
| Net Current Assets | 914.35 |
| Deferred tax Asset | - |
| Accumulated Loss | 303.23 |
| IV. PERFORMANCE OF COMPANY | |
| Total Income | 2049.15 |
| Total Expenditure | 1969.83 |
| Profit / (Loss) Before Tax | 79.32 |
| Earning Per Share | 0.36 |
| Dividend Rate% | NIL |
| V. GENERIC NAMES OF THREE PRODUCTS / SERVICES OF THE COMPANY (as per monetary terms) | |
| Item Code | 48.02 |
| Product Description | Printing, Writing Paper |

(Sd./-) **M.S. VELU**
Chairman and Managing Director

(Sd./-) **Mrs. S.S. VELU**
Director

As per our report of even date

for **GIRI & CO.,**
Chartered Accountants

(Sd./-) **R. GIRI**
Partner

Membership No.: 25458

Place: Coimbatore
Date: 22.11.2010

SHREE KARTHIK PAPERS LIMITED

Regd. Office: No. 25, 50 Feet Road, Krishnasamy Nagar, Ramanathapuram, Coimbatore-641 045.

PROXY FORM

I/We..... of.....
being a member of SHREE KARTHIK PAPERS LIMITED hereby appoint
of..... or falling in/her of/as my / our
proxy to vote for me/us on my/our behalf at the 19th Annual General Meeting of the Company to be held on
Monday, the 20th December, 2010 at 3.30 P.M. and at any adjournment thereof.

Signed this day of 2010

No. of Shares held:

| | |
|-------------|----------------|
| Place affix | Folio No.: |
| Revenue | No. of Shares: |
| Stamp | |

Signature of the Shareholder

Note: This forms duly completed should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting.

(Please cut here)

SHREE KARTHIK PAPERS LIMITED

Regd. Office: No. 25, 50 Feet Road, Krishnasamy Nagar, Ramanathapuram, Coimbatore-641 045.

ATTENDANCE SLIP

Folio No.:
No. of Shares :

Please complete this attendance slip and hand it over at the entrance of the meeting Hall. Only members or their proxies and entitled to be present at the meeting.

Name and address

Name of the proxy:

I/We hereby record my/our presence at the 19th Annual General Meeting held at the Sree Annapoorna Kall Arangam, "Ganga Hall", East Azokiasamy Road, R.S.Puram, Coimbatore-641 002 on Monday, the 20th day of December 2010 at 3.30 p.m.

Strike out whichever is not applicable

Signature of the Shareholder / Proxy