

BSR & Co.

(Registered)
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Review Report to the Board of Directors of The Andhra Pradesh Paper Mills Limited

1. We have reviewed the accompanying Statement of Unaudited Financial Results ('Statement') of The Andhra Pradesh Paper Mills Limited ('the Company') for the quarter and half year ended 30 September 2011, except for the disclosures regarding 'Public Shareholding' and 'Promoters and Promoter Group Shareholding', which have been traced from disclosures made by the management and have not been reviewed by us. This Statement is the responsibility of the Company's management and has been approved by the Board of Directors on 13 October 2011. Our responsibility is to issue a report on this Statement, based on our review.
2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
3. We draw attention to Note 2(b), which read along with Note 2 sets out the basis for the deferred tax charge for earlier years upto 31 March 2011 of Rs. 8,046 lakhs. The Company had challenged the provisions of Accounting Standard 22 and had filed a writ petition in June 2003 before the Andhra Pradesh High Court. The case has been subsequently transferred to Calcutta High Court. Though the writ petition has been admitted, it is pending resolution.

The current management is of the view that notwithstanding the writ petition and its ultimate outcome, the differential liability needs to be provided for in accordance with the provisions of AS 22 - Accounting for Taxes on Income and has accordingly quantified and booked the deferred tax liability relating to earlier years up to 31 March 2011 of Rs. 8,046 lakhs and for the current six months period ended 30 September 2011 of Rs. 598.79 lakhs respectively. The cumulative amount of Rs. 8,046 lakhs pertaining to the period up to 31 March 2011 has been debited to the profit and loss account for the period ended 30 September 2011. Our opinion is not qualified in respect of this matter.



**Review Report To the Board of Directors The Andhra Pradesh Paper Mills Limited
(continued)**

4. We draw attention to Note 4, which read along with Note 2, sets out the basis for which a write off of fixed assets of book value of Rs. 2,650.62 lakhs has been effected during the quarter ended 30 September 2011. Our opinion is not qualified in respect of this matter.
5. We state that based on our review as referred to in paragraph 1 above, read with Paragraph 3 and 4 above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with applicable accounting standards as specified in the Companies (Accounting Standards) Rules, 2006 and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement issued by Securities and Exchange Board of India, including the manner in which it is to be disclosed, or that it contains any material misstatement.

for BSR & Co
Chartered Accountants
Firm's registration number: 101248W



Zubin Shekary
Partner
Membership No: 048814

Place: Hyderabad
Date: 13 October 2011

Certified True Copy

For The Andhra Pradesh Paper Mills Limited

C. Prabhakar
C. PRABHAKAR
Sr. Vice President (Corporate Affairs) &
Company Secretary