

B S R & Co.

(Registered)
Chartered Accountants

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Review Report To the Board of Directors 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 six months ended 30 September 2010, 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 22 October 2010. Our responsibility is to issue a report on this Statement, based on our review. The unaudited financial results for the quarter ended 30 June 2010 and earlier periods/years included in the unaudited financial results for the six months ended 30 September 2010 were reviewed by the then statutory auditors of the Company, whose report has been furnished to us, and has been relied upon by us for the purpose of our review of the Statement.

Consequent to the amendment to Clause 41 of the Listing Agreement issued by the Securities and Exchange Board of India ('SEBI') which is effective prospectively from 5 April 2010, the Company has presented a Statement of Assets and Liabilities as at 30 September 2010 (alongwith corresponding figures) as note 2 of the attached Statement. The corresponding figures as at 30 September 2009 have not been reviewed.

2 We conducted our review in accordance with the Standard on Review Engagement 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 *As set out in Note 3 of the accompanying Statement, the Company has since the inception of Accounting Standard 22 on Accounting for Taxes on Income, recognised the deferred tax expense, which arises primarily from depreciation on tangible fixed assets on the basis of the currently applicable enacted Minimum Alternate Tax rate rather than the regular tax rates as specified by paragraph 21 of Accounting Standard 22. The Company has challenged the provisions of Accounting Standard 22, insofar as it relates to the above matter and has accordingly filed a writ petition in June 2003 before the Andhra Pradesh High Court. The case has been subsequently transferred to Calcutta High Court. The writ petition has been admitted and is currently pending resolution. The quantification of the differential deferred tax liability, and consequential impact on the accompanying Statement, which may arise due to the above, has been held in abeyance pending disposal of the writ petition.*

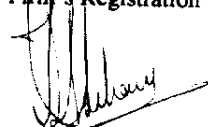


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Review Report To the Board of Directors The Andhra Pradesh Paper Mills Limited (continued)

- 4 We state that based on our review as referred to in paragraph 1 above, *subject to our comments in paragraph 3 as stated 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 recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement issued by SEBI, 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 No. 101248W

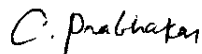


Zubin Shekary
Partner
Membership No: 44814

Place: Hyderabad
Date: 22 October 2010

Certified True Copy

For The Andhra Pradesh Paper Mills Limited



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