

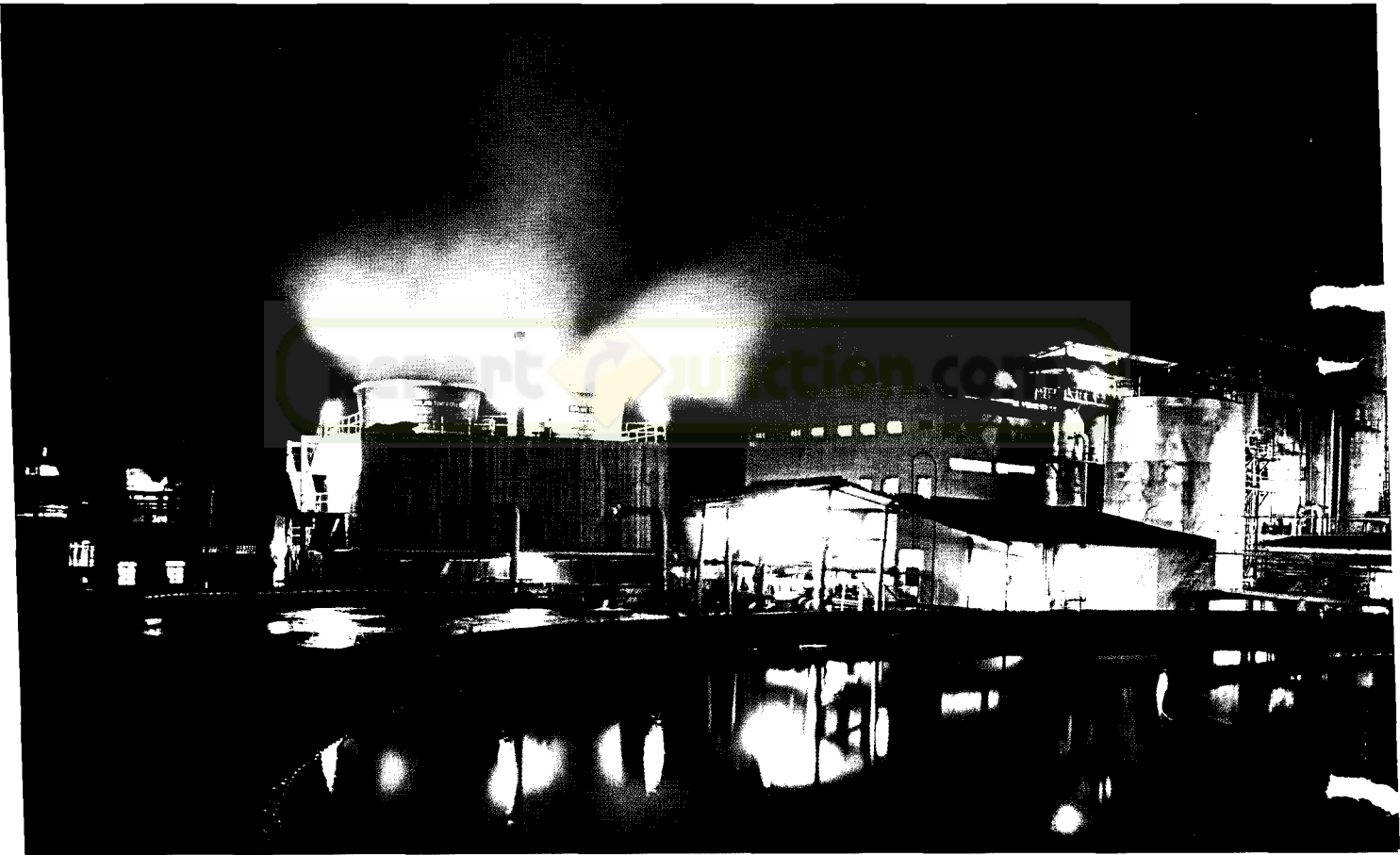
ANNUAL REPORT 2005 - 2006



THE SPIRIT OF PEOPLE...



JK PAPER LTD.





Central Pulp Mills, Songadh (Gujarat)

Board of Directors	01
The Spirit of People	02
Chairman's Statement	12
Managing Director's Message	13
Directors' Report	14
Management Discussion and Analysis	21
Corporate Governance Report	28
Auditors' Report	34
Balance Sheet	38
Profit and Loss Account	39
Schedules to the Accounts	40
Cash Flow Statement	58



Board of Directors

HARI SHANKAR SINGHANIA

Chairman

HARSH PATI SINGHANIA

Managing Director

OM PRAKASH GOYAL

Whole-time Director

ARUN BHARAT RAM

DHIRENDRA KUMAR

GAJANAN KHAITAN

P. K. KAUL

S. K. PATHAK

SHAILENDRA SWARUP

UDAYAN BOSE

Offices

Registered Office

P. O. Central Pulp Mills - 394 660

Fort Songadh

Dist. Surat (Gujarat)

Administrative Office

Nehru House,

4, Bahadur Shah Zafar Marg

New Delhi - 110 002

Bankers

State Bank of India

Bank of Maharashtra

Canara Bank

UTI Bank

Company Website

www.jkpaper.com

Plants

JK Paper Mills

Jaykaypur - 765 017

Rayagada (Orissa)

Central Pulp Mills

P. O. Central Pulp Mills - 394 660

Fort Songadh

Dist. Surat (Gujarat)

Auditors

Lodha & Co.

Chartered Accountants

New Delhi

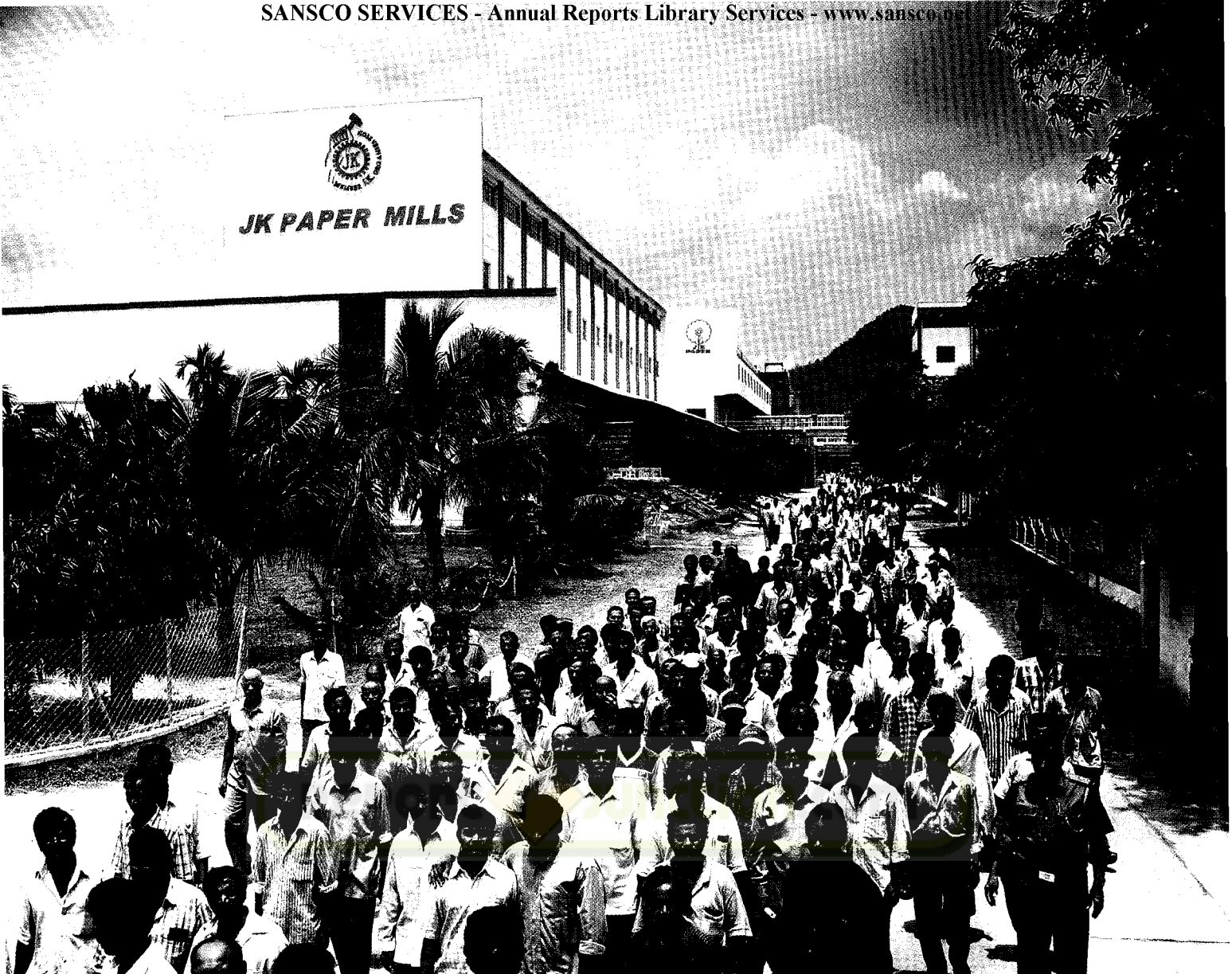
S. S. Kothari Mehta & Co.,

Chartered Accountants

New Delhi

Company Secretary

S. C. Gupta



Redefining the Leadership Mantra

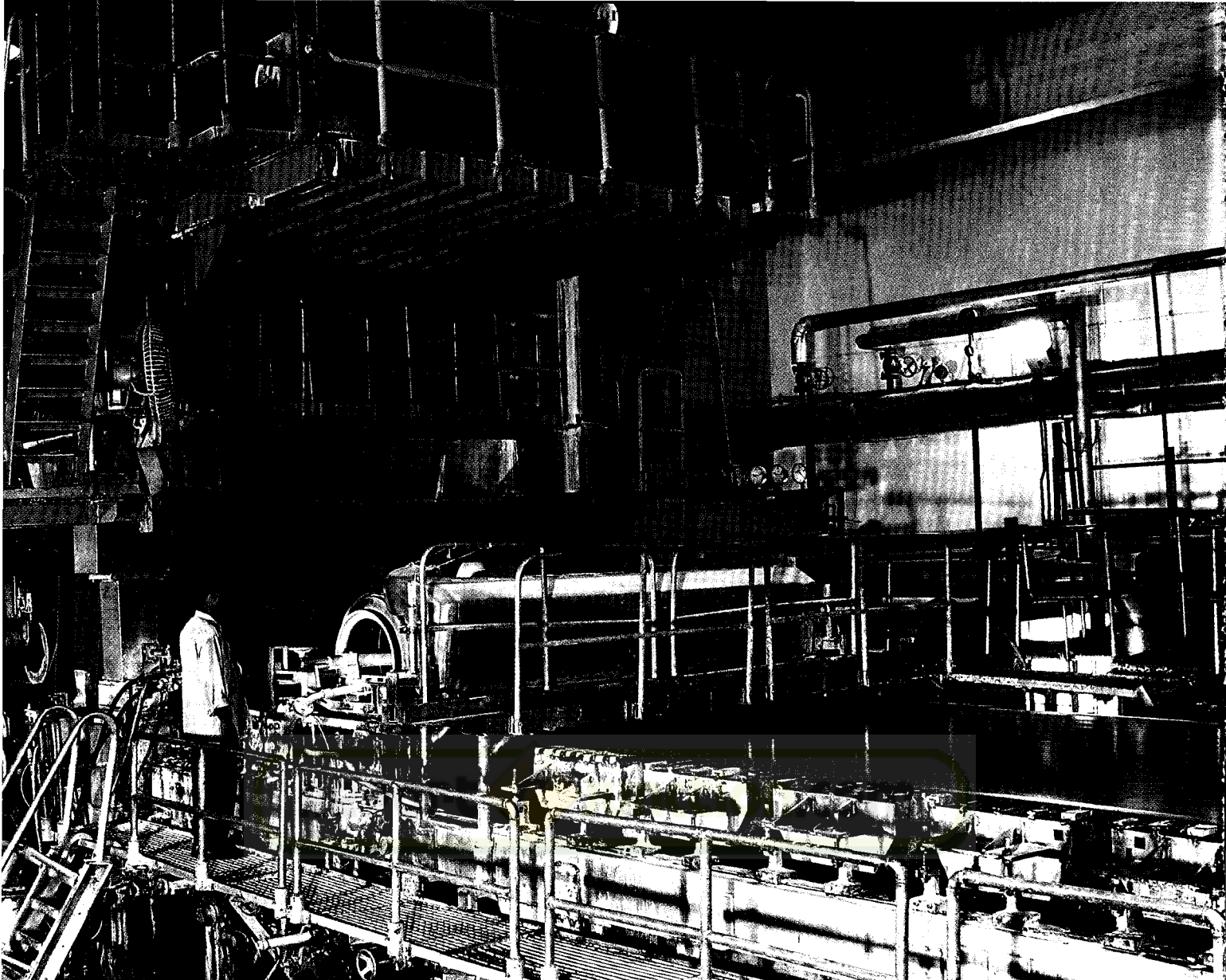
Great companies are the result of motivated employees who act as leaders in their own sphere of work to drive the Company into the future. At JK Paper, we have always believed that true leadership is about developing leaders at all levels. Because it is they, who with their passion, initiative and teamwork, anticipate change and lead their Company towards higher goals. Perhaps that is why, despite our 44 years in the business and a mindset that cherishes human values, we remain young, vibrant and ever alive to the challenges of today.

Far before the corporate world began to recognise intellectual property as a tangible asset, we acknowledged the power of empowered people. Over the years, JK Paper has nurtured the creation of a 'Learning Organisation', where people imbibe, absorb and pass on knowledge. This is what has enabled us to become a first mover and trendsetter in the industry.

Effective leadership does not happen automatically. It has to be developed and nurtured by providing a conducive work environment, opportunities to grow and sufficient resources. This constantly motivates and energises the Company's employees, generating a never ending passion towards their work. It is for this reason that a large number of people who start their careers with us at the entry level, rise through the organisation to the very highest positions and eventually retire with us.

While we continue to set new benchmarks in the Industry, it is the years of trust and reliance on the company workforce and their leadership abilities that is paying dividends. As we march forward to take on the challenges of tomorrow, it is these self-motivated individuals of JK Paper who are leading the journey of change from the forefront.





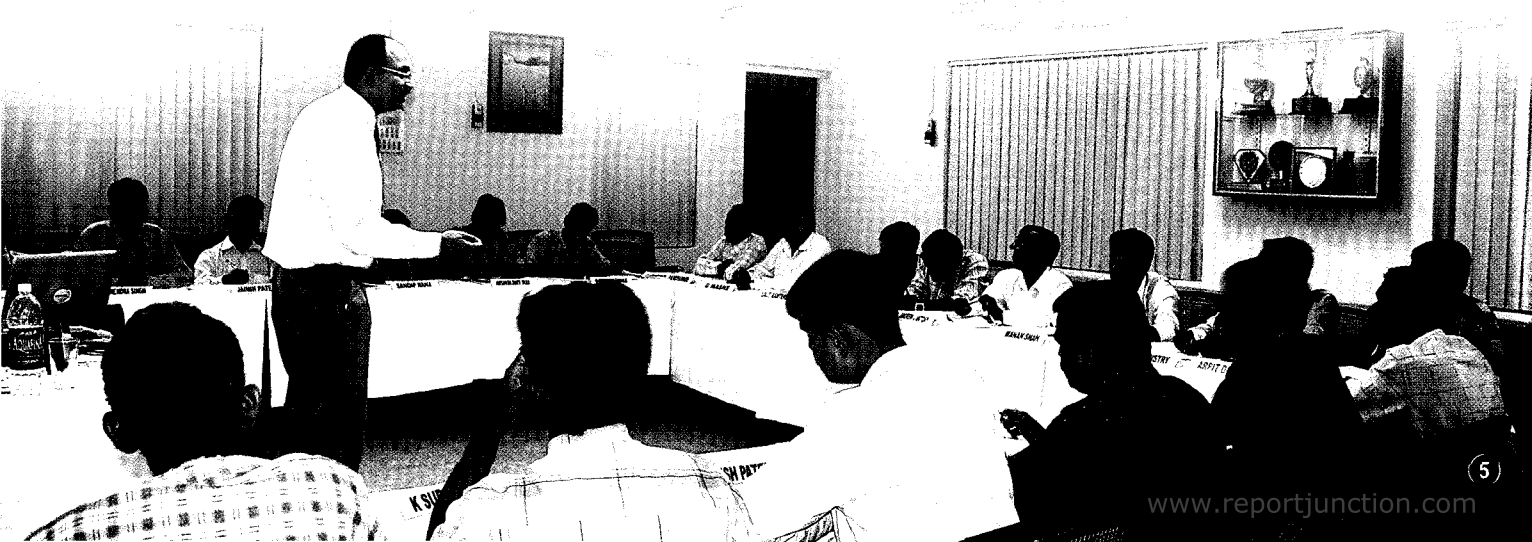
Beyond Technology...

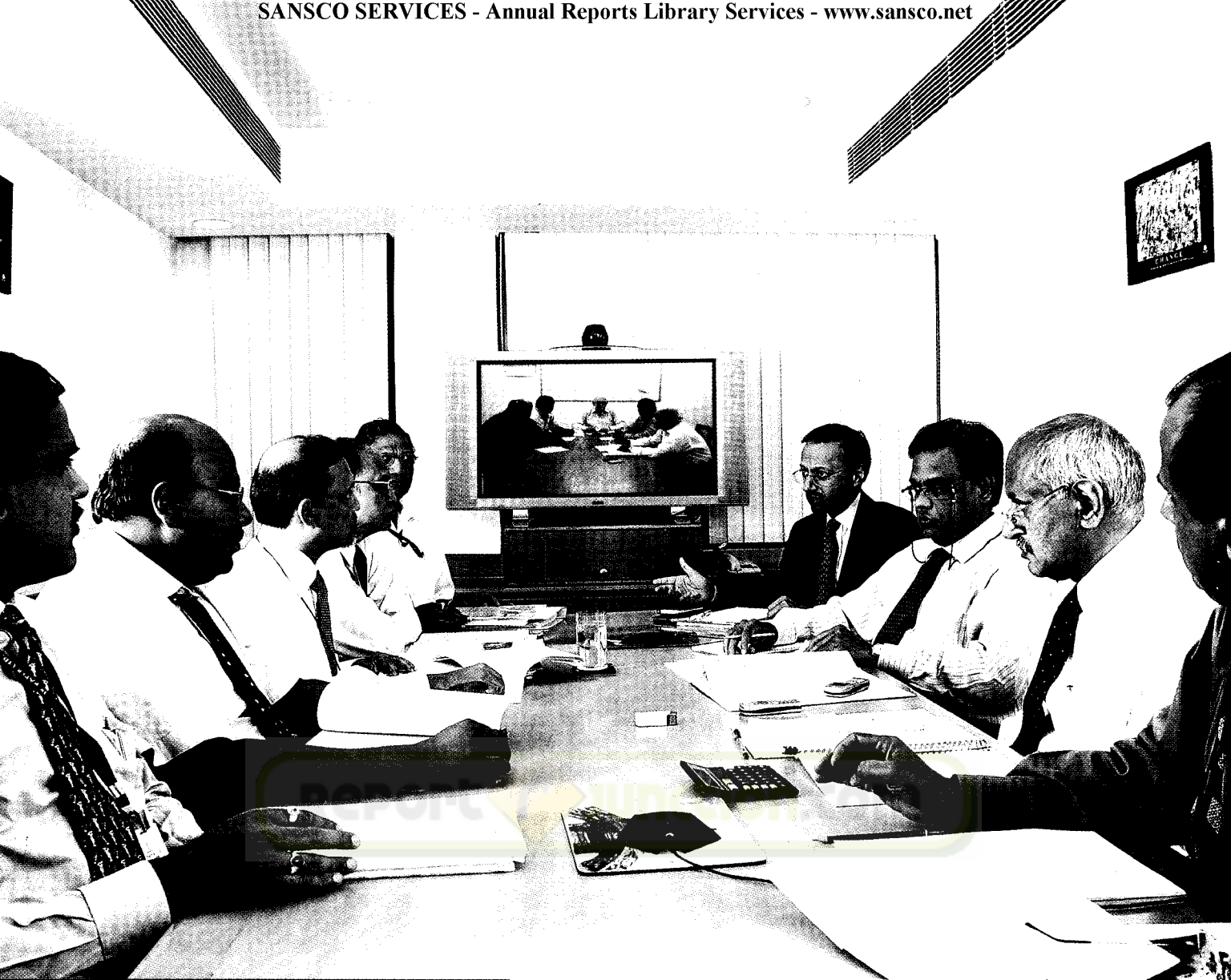
Without a doubt, it is technology that drives the modern world. And, it is people who drive the technology. With all things being equal, the difference lies in how that technology is deployed. Over the years, JK Paper has made significant investments in installing world-class technologies. Yet, beyond technology, it is how creatively and effectively our people have harnessed it, that really gives us the cutting edge.

The common perception that with increasing mechanisation and automation, the value of the human touch reduces could not be

farther from the truth. In today's world, human decisions have a far greater impact over a larger interlinked process, making it even more critical to deploy the right talent at the right place to manage the operations. To address this challenge, we have invested substantially in continuous improvement of processes and human skills. This effort involves identifying and grooming individuals, who can drive the technology movement at JK Paper, through our time-tested practices such as Quality Circles - a dynamic shop floor level participative management system, Jishu Hozen Circles within the TPM (Total Productive Maintenance) best practices, Suggestion Scheme, Exemplary Work Award and several TPM related awards. On the process front, the Company has adopted an ERP (Enterprise Resource Planning) system to ensure seamless flow of information and enhance managerial efficiency. This also aids our Company personnel in ultimately enhancing Customer satisfaction.

Clearly, JK Paper has gone well beyond just strategic investments in technology, by implementing a series of dynamic HR practices so that Team JK is more empowered than its peers in making the most of technology. After all, you do not just require the finest technology to produce the best quality; you also need the finest application of the human mind.





Harnessing Talent

To be an industry leader, an organisation needs to be a change leader. And positive change can only come when individuals at every level are constantly growing and contributing.

At JK Paper, we maintain a robust skill up-gradation and enhancement programme for all levels of employees on a continual basis. To develop individual competencies and knowledge, people are sponsored to external training institutes as well as trained in-house through a variety of learning modules. These include on site training by Suppliers during commissioning