

## **Century Paper & Board Mills Limited**

### **Annual Report 1998**

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#### **CORPORATE INFORMATION**

##### **BOARD OF DIRECTORS**

Iqbalali Lakhani  
Chairman

M. Rafi Chawla                      Tasleemuddin Ahmed Batlay  
Chief Executive & Managing Director

Zulfiqarali Lakhani              Aziz Ebrahim  
Amin Mohammed Lakhani      Syed Shabahat Hussain-Nominee Director(NIT)

##### **ADVISOR**

Sultanali Lakhani

##### **COMPANY SECRETARY**

Ramzanali Halani

##### **EXECUTIVE COMMITTEE**

M. Rafi Chawla  
Aftab Ahmad  
Mir Nadir Ali  
Zafar Iqbal Sobani

##### **AUDITORS**

Ford, Rhodes, Robson, Morrow  
Chartered Accountants

##### **BANKERS**

American Express Bank Limited  
ANZ Grindlays Bank Limited  
Credit Agricole Indosuez  
Citibank N.A.  
Habib Bank Limited  
Mashreq Bank Psc  
National Bank of Pakistan  
Standard Chartered Bank  
Societe Generale

##### **HEAD OFFICE, CORPORATE OFFICE & REGIONAL SALES OFFICE (SOUTH)**

Lakson Square, Building No. 2,  
Sarwar Shaheed Road, Karachi-74200, Pakistan.  
Phones: (021) 5689081-9  
Fax: (021) 5681163 & (021) 5683410  
E-Mail: cpbm @cyber.net.pk

**REGISTERED OFFICE & REGIONAL SALES OFFICE (NORTH)**

41-K, Model Town, Lahore, Pakistan.

Phones: (042) 5880697, 5880928

Fax: (042) 5830338

**MILLS**

Jamber Khurd, Bhai Pheru, Tehsil Chunian,

Lahore-Multan Road, District Kasur, Pakistan.

Phones: (04943) 2761 & 2762, (04951) 388151 & 388200

Fax: (04943) 2763

**NOTICE OF MEETING**

NOTICE IS HEREBY GIVEN that the 15th Annual General Meeting of CENTURY PAPER & BOARD MILLS LIMITED will be held on Thursday December 03, 1998 at 10.30 a.m. at Avari Renaissance Towers Hotel, Fatima Jinnah Road, Karachi to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Balance Sheet and Profit and Loss account for the year ended June 30, 1998 and the Directors' and Auditors' Reports thereon.

2. To declare a dividend by way of issue of bonus shares @ 10% i.e. in the proportion of one share for every ten existing shares held by the members as recommended by the Board of Directors.

3. To appoint Auditors and to fix their remuneration.

**SPECIAL BUSINESS**

4. To consider, subject to declaration of dividend as above, to capitalise a sum of Rs. 28,564,800 by way of issue of 2,856,480 fully paid bonus shares of Rs. 10/- each and if thought fit to pass an ordinary resolution in the matter.

The statement under section 160 of the Companies Ordinance, 1984 and the draft of the ordinary resolution to be passed in the above matter are annexed.

By Order of the Board

RAMZANALI HALANI

Company Secretary

Dated: October 16, 1998

**NOTES:**

1. The share transfer books of the Company will remain closed from November 20, 1998 to December 03, 1998 both days inclusive. Transfers received in order by the Corporate Office of the Company situated at Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi upto November 19, 1998 will be considered in time for entitlement of bonus shares.

2. A member entitled to attend and vote at the general meeting may appoint another member as his proxy to attend, speak and vote instead of him.

3. Forms of proxy to be valid must be received by the Company not later than 48 hours before the time of the meeting.

4. Members are requested to notify the Company promptly of any change in their addresses.

5. Form of proxy is enclosed herewith.

**STATEMENT UNDER SECTION 160  
OF THE COMPANIES ORDINANCE, 1984**

The Board of Directors has recommended to the members of the Company to declare a dividend @ 10% by way of issue of 2,856,480 fully paid bonus shares of Rs. 10/- each and thereby capitalise a sum of Rs. 28,564,800 which has been transferred to 'reserve for issue of bonus shares' from capital reserve. Subject to approval of the Board of Directors' recommendation as above, the resolution as under will be considered to be passed by the members as an ordinary resolution:

**"RESOLVED THAT:**

i) a sum of Rs. 28,564,800 out of the 'reserve for issue of bonus shares' be capitalised and applied in making payment in full of 2,856,480 ordinary shares of Rs. 10/- each and that the said shares be allotted as fully paid up bonus shares to those members of the Company whose names appear in the Register of members on December 03, 1998 @ 10% i.e. in the proportion of ONE share for every TEN existing shares held and that such new shares shall rank pari passu as regards future dividends and in all other respects with the existing ordinary shares of the Company;

ii) in the event of any member holding less than TEN shares or a number of shares which is not an exact multiple of TEN, the fractional entitlement of shares of such members shall be consolidated into whole new shares and the Directors of the Company be and are hereby authorised to arrange sale of the shares constituted thereby in such manner as they may think fit and to pay the proceeds of the sale to such of the members according to their entitlement;

iii) for the purpose of giving effect to the above matter, the Directors be and are hereby authorised to give such directions as may be necessary and to settle any question or difficulties that may arise in regard to the distribution of the said new shares as they think fit."

The Directors are interested in this business to the extent of their entitlement of bonus shares as shareholders.

**QUALITY POLICY*****OUR MILLION-STRIVE TOGETHER FOR EXCELLENCE***

*\* Century excels in manufacturing & marketing quality  
Paper & Board for packaging.*

*\* Being a customer focused Company, Century is  
always ready to accept challenges for achieving its  
mission.*

*\* Its professional & motivating management style  
ensures customer satisfaction through continuous  
improvement in quality & productivity.*

*\* Century values the social & economic well being of  
its partners and strives for a harmonious environment  
conducive to team work.*

**YEAR AT A GLANCE AND GRAPHS****YEAR AT A GLANCE**

	<b>1998</b>	<b>1997</b>
	<b>(Rupees in thousands)</b>	
Sales - Net	1,421,566	1,014,709
Profit before taxation	76,819	61,339
Profit after taxation	65,960	55,667
Taxation	10,859	5,672
Dividend		
Cash %	--	10
Bonus issue %	10	
Earnings per share - Rupees	2.31	195
Paid-up capital	285,648	285,648
Shareholders' equity	656,104	590,144
Total assets	1,369,981	1,148,172
Capital employed	947,341	940,158
Capital expenditure	39,391	123,358
Number of employees	836	822

## DIRECTORS' REVIEW

The Directors take pleasure in presenting the annual report together with the audited accounts of the Company for the year ended June 30, 1998.

### APPROPRIATIONS

Your Board recommends that the net profit of Rs. 65.960 million earned during the year under review together with the unappropriated profit of Rs. 0.886 million brought forward and a sum of Rs. 28.565 million transferred from the capital reserve be appropriated as under:

	(Rupees '000)
Profit before taxation	76,819
Taxation	10,859
	-----
Profit after taxation	65,960
Un-appropriated profit brought forward	886
	-----
	66,846
Amount transferred from capital reserve	28,565
	-----
	95,411
Appropriations:	
Transfer to reserve for proposed issue of bonus shares in the ratio of one share for every ten shares	28,565
Transfer to general reserve	66,000
	-----
	94,565
	-----
Un-appropriated profit carried forward	846
	=====

Al-Hamdolillah during the year our PM4 project was successfully commissioned and the results under review include nine months production of PM4 Board Machine & Offline Coating Plant.

### OPERATING RESULTS

Production and Net Sales rose by 44% and 40% respectively compared to last year - Company produced 51,145 tons of Paper & board compared to 35,469 tons and net sales were Rs. 1.422 billion compared to Rs. 1.015 billion in the year 1996-97..

Profit before tax for the year rose by 25% compared to last year - Rs. 76.82 million compared to Rs. 61.34 million in 1996-97. Profit would have been still higher but for the foreign exchange impact on input cost and suppressed market prices due to competition, leaving a Gross Margin of only 11%. Higher financial charges and depreciation, due to BMR (expansion), also reduced the profitability.

We are pleased to report that a "Quality Policy" has been laid down by your Company which encompasses Company's corporate objectives with "CUSTOMER" being our main focus. To achieve the product quality the Company is in the process of implementing ISO 9002 Management System. Presently scope of implementation is Coating, Finishing, Despatch and support functions such as Quality Control, Technical, Marketing, Procurement & Planning, pre-audit of which has been completed and the final audit will be carried out in October '98 when we expect to receive ISO 9002 Certification.

### MARKETING

The domestic paper industry is going thru difficult times for the last couple of years. This is partly due to already depressed economic environment which have been further aggravated on account of imposition of economic sanctions causing stagnation and reduction in economic growth of the country. In the case of paper industry the Government has adopted policies which are favourable to 'Imports', hurting the industry as well as loosing the valuable foreign exchange which the country needs badly to be self reliant.

The massive devaluation of currency in Far Eastern Countries has resulted in liberal imports and dumping of goods from Indonesia, Korea and Taiwan. The cheaper imports from these countries is badly hurting the local paper industry which is already reeling under the effects of depressed

economic environment in the country.

However, despite the grim economic scenario and severe competition, prevailing within the domestic industry, and reduction in demand growth, your Company has managed to improve upon its market share. This is mainly due to high quality of our products coupled with achieving customer satisfaction thru personalised service.

We reiterate that the domestic paper & board industry badly needs Government support and incentives for it to survive and grow. The existing policies favour Imports and offer uneven playing field to the local manufacturers. The paper industry, thru its Association, has been calling upon the Government for immediate remedial action to remove the anomalies in the duties structure for paper and board finished products, felts and wires etc. to save the industry from collapse. In this connection appeals have been made to various government bodies. Some of the Tariff reforms which need Government's immediate attention are:-

\* Withdrawal of 5% Excise Duty on locally produced paper & board.

\* The Government should seriously consider levying Anti-Dumping duties to combat cheaper imports from Far Eastern Countries, in the name of stock lots etc.

\* To save precious foreign exchange thru import substitution and also achieving the goal of self reliance the import duty on paper & board products should be increased to support local industry.

In the meantime, your dedicated and committed Management will continue to work hard for improving the profitability of the Company thru strict cost control, producing quality products thereby providing a reasonable return to the shareholders.

#### **CONTRIBUTION TO NATIONAL EXCHEQUER**

Company's contribution, in terms of duties and taxes, to the National Exchequer during the year was Rs. 338 million compared to Rs. 362 million in the preceding year - a decrease of 6.62% due to lower income tax on account of capitalisation of PM4 project.

#### **FUTURE OUTLOOK**

Although, the present economic environment has created a lot of uncertainties for the future, we are optimistic that these problems will be resolved in the near future and the country will once again move forward towards prosperity. We are also confident that thru commitments and dedicated efforts and adopting innovative approach, your Company will be able to perform reasonably well.

#### **YEAR 2000 COMPLIANCE**

Year 2000 is fast approaching and all business organisations face continuity problems. This new Millennium problem is being dealt at our Group level and we are in the process of achieving the compliance. However, we are pleased to announce that we would be internally Millennium compliant by December 1998.

#### **BOARD OF DIRECTORS**

On the resignation of N.I.T.'s nominee director Mr. Shahid Ghaffar from the Directorship of the Company Mr. Syed Shabahat Hussain was co-opted in his place for the remainder of the present term of the Board.

The Board places on record its appreciation of the valuable services rendered by Mr. Shahid Ghaffar during his tenure and welcomes Mr. Syed Shabahat Hussain on the Board.

#### **ACKNOWLEDGEMENTS**

The Board wishes to thank all its employees and management for their dedication and valuable contribution made during the year.

The Board also wishes to thank company's bankers, leasing companies, shareholders and customers for their continued support.

#### **AUDITORS**

The present Auditors, Messrs Ford, Rhodes, Robson, Morrow, retire and being eligible, offer themselves for reappointment.

#### **PATTERN OF SHAREHOLDING**

A pattern of shareholding in the prescribed form is included in this report.

On behalf of the Board of Directors

**IQBALALI LAKHANI**

Chairman

Karachi: October 12, 1998

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of CENTURY PAPER & BOARD MILLS LIMITED as at June 30, 1998 and the related profit and loss account and the cash flow statement, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1998 and of the profit and cash flows for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

**FORD, RHODES, ROBSON, MORROW**

Chartered Accountants

Karachi: October 12, 1998

**BALANCE SHEET AS AT JUNE 30, 1998**

	Note	1998	1997
		(Rupees in thousands)	
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital			
35,000,000 ordinary shares of Rs. 10/- each		350,000	350,000
Issued, subscribed and paid-up capital	3	285,648	285,648
Reserves	4	370,456	304,496
		656,104	590,144
<b>REDEEMABLE CAPITAL AND DEFERRED MARK-UP</b>	5	76,869	158,845
<b>LONG-TERM LOANS</b>	6	17,000	17,000
<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>	7	56,991	40,843
<b>DEFERRED LIABILITIES</b>	8	55,004	55,004
<b>CURRENT LIABILITIES</b>			

Current portion of - redeemable capital	5	70,758	59,758
-long-term loans	6	--	4,906
- liabilities against assets subject to finance lease	7	14,615	13,658
Shod term running finances	9	207,054	87,914
Creditors, accrued and other liabilities	10	215,586	91,535
Proposed dividend		--	28,565
		-----	-----
		508,013	286,336
<b>CONTINGENCIES AND COMMITMENTS</b>	11		
		-----	-----
		1,369,981	1,148,172
		=====	=====
<b>FIXED ASSETS - TANGIBLE</b>			
Operating assets	12	740,739	548,669
Capital work-in-progress	13	5,698	230,203
		-----	-----
		746,437	778,872
<b>LONG-TERM INVESTMENT</b>	14	100,000	100,000
<b>LONG-TERM LOANS</b>	15	743	944
<b>LONG-TERM DEPOSITS AND PREPAYMENT</b>	16	6,496	4,863
<b>CURRENT ASSETS</b>			
Stores and spares	17	102,559	63,659
Stock-in-trade	18	238,126	89,415
Trade debts	19	95,618	68,042
Loans, advances and other receivables	20	18,171	5,025
Deposits and prepayments	21	5,960	2,857
Taxation - net		37,368	18,164
Cash and bank balances	22	18,503	16,331
		-----	-----
		516,305	263,493
		-----	-----
		1,369,981	1,148,172
		=====	=====

Note: The annexed notes form an integral part of these accounts.

#### PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1998

	Note	1998	1997
(Rupees in thousands)			
Sales	23	1,421,566	1,014,709
Cost of goods sold	24	1,264,238	875,374
		-----	-----
Gross profit		157,328	139,335
Administrative expenses	25	35,822	32,166
		-----	-----
Operating profit		121,506	107,169
Other income	26	35,382	16,983
		-----	-----
		156,888	124,152
		-----	-----
Financial charges	27	74,604	58,426
Other charges	28	5,465	4,387
		-----	-----
		80,069	62,813
		-----	-----
Profit before taxation		76,819	61,339
Taxation	30	10,859	5,672
		-----	-----
Profit after taxation		65,960	55,667
Unappropriated profit brought forward		886	784
		-----	-----

Profit available for appropriation	66,846	56,451
Transfer from capital reserve	28,565	--
	-----	-----
	95,411	56,451
Appropriations:		
Proposed dividend [1997: Re 1.00 (10%) per share]	--	28,565
Transfer to - reserve for issue of shares at 10% (1997: Nil)	28,565	--
- general reserve	66,000	27,000
	-----	-----
	94,565	55,565
	-----	-----
Unappropriated profit carried forward	846	886
	=====	=====
Earnings per share	Rs. 2.31	Rs. 1.95
	=====	=====

The annexed notes form an integral part of these accounts.

### CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 1998

	Note	1998	1997
(Rupees in thousands)			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	31	89,644	172,385
Financial charges paid		(80,475)	(66,915)
Tax paid		(30,063)	(83,226)
Long-term loans		201	(922)
Long-term deposits and prepayment		(1,633)	(238)
		-----	-----
Net cash (outflow)/inflow from operating activities		(22,326)	21,084
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(39,391)	(123,358)
Dividend received		15,000	10,000
Proceeds from sale of fixed assets		5,708	1,229
Return on short-term investment and deposits received		195	358
		-----	-----
Net cash (outflow) from investing activities		(18,488)	(111,771)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Long-term loan		--	17,000
Redeemable capital		--	55,000
Redemption of redeemable capital		(59,758)	(49,665)
Repayment of long-term loans		(4,906)	(19,474)
Obligations under finance lease		30,435	37,844
Repayment of leasing finance		(13,330)	(7,226)
Dividend paid		(28,595)	(25,893)
		-----	-----
Net cash (outflow)/inflow from financing activities		(76,154)	7,586
		-----	-----
Net decrease in cash equivalents		(116,968)	(83,101)
Cash and cash equivalents at the beginning of the year		(71,583)	11,518
		-----	-----
Cash and cash equivalents at the end of the year		(188,551)	(71,583)
		=====	=====
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>			
Cash and bank balances		18,503	16,331



Short term running finances	(207,054)	(87,914)
	-----	-----
	(188,551)	(71,583)
	=====	=====

The annexed notes form an integral part of these accounts

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1998

### 1. THE COMPANY AND ITS OPERATIONS

The company is incorporated in Pakistan as a public limited company and is quoted on Stock Exchanges in Pakistan. The company's principal business is production and sale of paper and board of several varieties.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Accounting convention

These accounts have been prepared on the basis of the historical cost convention.

#### 2.2 Taxation

##### Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any.

##### Deferred

The company accounts for deferred taxation on all major timing differences using the liability method, except for tax effects of those timing differences which are not likely to reverse in the foreseeable future.

#### 2.3 Staff retirement benefits

The company contributes to a provident fund scheme established since July 1, 1986 which covers all permanent employees. Equal contributions are made by the company and the employees.

Gratuity payable to staff prior to the introduction of the provident fund scheme is accounted for as and when paid as is not considered material.

#### 2.4 Tangible fixed assets and depreciation

These are stated at cost less accumulated depreciation except freehold land and capital work-in-progress which are stated at cost.

Depreciation on operating fixed assets is provided on a straight line basis.

Rates of depreciation, which are disclosed in note 12, are designed to write off the cost over the estimated useful lives of the assets.

Normal repairs and maintenance costs are charged to the profit and loss account as and when incurred. Major renewals and improvements are capitalised.

Gains and losses on disposal of fixed assets are taken to the profit and loss account.

#### 2.5 Assets subject to finance lease

Assets held under finance leases are stated at cost less depreciation.

The outstanding obligations under the lease less finance charges allocated to future periods are shown as a liability.

The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Depreciation is charged at the same rate as company owned assets.

#### 2.6 Stores and spares

Stores and spares are stated at cost which is determined by the moving average method except

those in transit and in bond which are valued at actual cost. Provision is made for slow moving and obsolete items.

### 2.7 Stock-in-trade

Raw material, work-in-process and finished goods are stated at the lower of cost and estimated net realisable value. Cost is arrived at by using the moving average basis except for goods in transit and in bond which are valued at actual cost. Cost of work-in-process and finished goods include an appropriate portion of production overheads.

### 2.8 Trade debts

Debts considered irrecoverable are written off and provision is made for debts considered doubtful.

### 2.9 Foreign currency translation

Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange prevailing at the balance sheet date or at rates of exchange fixed under contractual arrangements.

### 2.10 Long term investments

These are stated at cost. However, provisions against diminution in value are made, if considered permanent.

### 2.11 Revenue recognition

Sales are recorded on despatch of goods to customers. Dividend income is recognised when the right to the dividend is established.

**1998**                  **1997**  
**(Rupees in thousands)**

## 3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

24,345,000 ordinary shares of Rs. 10/- each fully paid in cash	243,450	243,450
4,219,800 ordinary shares of Rs. 10/- each issued as fully paid bonus shares	42,198	42,198
	-----	-----
	285,648	285,648
	=====	=====

**Note**                  **1998**                  **1997**  
**(Rupees in thousands)**

## 4. RESERVES

Movement in and composition of reserves is as follows:

Capital reserve		
Share premium account	113,610	113,610
Less: Transfer to profit and loss appropriation account for issue of bonus shares	28,565	--
	-----	-----
	85,045	113,610
Reserve for issue of bonus shares		
At the beginning of the year	--	25,968
Transfer from profit and loss account	28,565	--
Amount utilized for issue of bonus shares	--	25,968
	-----	-----
	28,565	--
	-----	-----
	113,610	113,610
Revenue reserve		
General reserve		
At the beginning of the year	190,000	163,000
Transfer from profit and loss account	66,000	27,000
	-----	-----
	256,000	190,000
Unappropriated profit	846	886
	-----	-----

		370,456	304,496
<b>5. REDEEMABLE CAPITAL AND DEFERRED MARK-UP</b>			
Term finance certificates	5.1	18,351	33,031
Long-term finances utilised under mark-up arrangements	5.2	127,339	172,417
		-----	-----
		145,690	205,448
Less: Current portion			
Term finance certificates		14,680	14,680
Long-term finances utilised under mark-up arrangements		56,078	45,078
		-----	-----
		70,758	59,758
		-----	-----
		74,932	145,690
Deferred mark-up		1,937	13,155
		-----	-----
		76,869	158,845
		=====	=====

	1998 (Rupees in thousands)	1997 (Rupees in thousands)	Sale Price (Rupees in thousands)	Purchase Price (Rupees in thousands)	Rate of mark-up per annum	Rate of mark-up on default per annum	Redemption/ Re-payment from	Equal Installments
Term finance certificates								
Syndicate of commercial Banks led by Habib Bank Limited	18,351	33,031	88,083	181,891	1624%	--	31-10-1993	24 quarterly

The TFCs are issued for cash and are secured by a first continuing legal mortgage on all present and future fixed assets and floating charge on current assets of the company ranking pari-passu with charges already created.

The total redemption value is subject to a prompt payment rebate of Rs. 7.95 million.

### 5.2 Long term finances utilised under mark-up arrangements

Industrial Development Bank of Pakistan								
Term loan facility	5,437	9,063	29,000	66,183	16%	22%	30-6-1992	16 half yearly
Habib Bank Limited Assistance for locally manufactured machinery	2,346	3,910	12,650	15,219	3%	20.075%	31-12-1992	15 half yearly
ANZ -Grindlays Bank								
For Plant and machinery (two tranches)	75,556	104,444	130,000	221,919	16.75%	20% and waiver of prompt payment rebate Rs. 25.68 million	31-12-1996 and 11-04-1997	9 half yearly
American Express Bank								
For Plant and machinery	44,000	55,000	55,000	68,750	5% over	25% and	21-03-1998	5 half yearly

3 year  
F.I.B. with  
a minimum  
of 18%  
waiver of  
prompt  
payment  
rebate  
Rs. 7.71  
million

-----	-----
127,339	172,417
=====	=====

All long-term finances utilised under mark-up arrangements are secured by equitable mortgage on present and future movable and immovable properties, other assets of the company ranking pari-passu with charges already created.

The consent of loan giving agency in respect of Term Finance Certificates and some loan giving agencies in term of long-term finances utilised under mark-up arrangements is required prior to declaration and payment of dividend or issue of bonus shares by the company.

	Note	1998 (Rupees in thousands)	1997
<b>6. LONG-TERM LOANS</b>			
Financial institution		--	4,906
Subsidiary company	6.1	17,000	17,000
		-----	-----
		17,000	21,906
Less: Current portion		--	4,906
		-----	-----
		17,000	17,000
		=====	=====

6.1 This represents an unsecured loan from Century Power Generation Limited, a subsidiary company and carries interest at the rate of 20.5% per annum. The principal amount was payable after two years from the disbursement date, which has been extended for one more year. The interest is payable quarterly on the outstanding amount. The total sanctioned amount is Rs. 35 million (1997: Rs. 35 million).

#### 7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The amount of future payments and the years during which they will become due are:

<b>Years ending June 30,</b>			
1998		--	23,265
1999		21,794	20,396
2000		26,811	15,236
2001		21,941	10,620
2002		20,676	9,877
2003		10,799	--
		-----	-----
		102,021	79,394
Less: Financial charges allocated to future periods		30,415	24,893
		-----	-----
		71,606	54,501
Less: Current portion		14,615	13,658
		-----	-----
		56,991	40,843
		=====	=====

These represent finance leases entered into with leasing companies for plant and machinery. Rates of financial charges ranging from 19.50% to 22% per annum are used as discounting factors.

At the end of lease period the ownership of assets shall transfer to the company on payment of residual values.

These are secured by demand promissory notes and security deposits.

**8. DEFERRED LIABILITIES**

Deferred taxation	8.1	41,000	41,000
Deferred liabilities - other	8.2	14,004	14,004
		-----	-----
		55,004	55,004
		=====	=====

8.1 Deferred taxation arising due to timing differences computed under the liability method is estimated at Rs. 80.23 million of which Rs. 3.00 million is credit for the current year (1997: Rs. 77.23 million of which Rs. 4.36 million was credit for the year). Provision of Rs. 41 million has been made as at June 30, 1998 as timing differences to this extent are likely to reverse in the foreseeable future.

8.2 This is in respect of difference in payment of sales tax and excise duty.

	Note	1998	1997
		(Rupees in thousands)	
<b>9. SHORT-TERM RUNNING FINANCES</b>		207,054	87,914
		=====	=====

Utilized under mark-up arrangements

The company has aggregate short-term running finance facilities amounting to Rs. 303 million (1997: Rs. 233 million) from commercial banks on mark-up basis. Rates, net of the prompt payment rebate, range from Re.0.397 to Re.0.520 per thousand rupees on daily product basis. The purchase prices and mark-up amounts are payable by June 30, 1999.

The arrangements are secured by way of pari-passu hypothecation charge created on stock-in-trade and book debts of the company.

The facilities for opening of letters of credit and guarantees as at June 30, 1998 amounted to Rs. 379 million (1997: Rs. 341 million) out of which the amount remaining unutilized at the end of the year was Rs. 163 million (1997: Rs. 245 million).

**10. CREDITORS, ACCRUED AND OTHER LIABILITIES**

Creditors	10.1	59,057	27,085
Bills payable		92,314	7,165
Accrued liabilities		4,641	2,996
Sales tax payable (net)		6,056	5,161
Advances from customers		11,622	13,410
Mark-up accrued on secured: redeemable capital		20,246	18,516
short-term running finances		7,395	4,004
		-----	-----
		27,641	22,520
Interest accrued on secured foreign currency loans		--	230
Interest on loan from subsidiary company		--	29
Mark-up accrued on finance lease		557	636
Central excise duty payable		670	978
Other financial charges payable		872	--
Workers' profit participation fund	10.2	4,229	4,729
Workers' welfare fund		934	499
Unclaimed dividend		179	209
Other liabilities		6,814	5,888
		-----	-----
		215,586	91,535
		=====	=====

10.1 Net amount due to associated undertakings at the end of the year aggregated to Rs. 17.46 million (1997: Rs. 4.94 million).

**1998**                      **1997**  
**(Rupees in thousands)**

**10.2 Workers' profit participation fund**

Balance at the beginning of the year	4,729	10,625
Interest on fund utilised in company's business	165	1,475
Allocation for the year	4,091	3,254
	-----	-----
	8,985	15,354
Less: Amount paid during the year	4,756	10,625
	-----	-----
Balance at the end of the year	4,229	4,729
	=====	=====

**11. CONTINGENCIES AND COMMITMENTS****11.1 Contingencies**

(a) Custom levies of Rs. 19.00 million (1997: Rs. 22.11 million) have been imposed by the custom authorities in respect of some consignments of plant and machinery imported for capacity expansion. The company has filed writ petitions in the Honourable Lahore High Court against the imposition of these levies. In view of the fact that the Government has withdrawn some of the levies, the company expects to get a favourable decision. Thus no provision has been made in these accounts.

(b) The company has taken a stay from the Honourable Lahore High Court against the demands raised by the Sales tax Authority for recovery of Rs. 11.69 million for alleged incorrect adjustment of input tax. The company strongly considers that on the merits of the case, it would get a favorable decision and accordingly no provision has been made in these accounts.

**11.2 Commitments**

(a) Commitments under letters of credit, contract and guarantees at the end of the year amounted to Rs. 42.66 million (1997: Rs. 73.12 million).

(b) Commitments for capital expenditure including letters of credit amounted to Rs. 0.23 million (1997: Rs. 20.97 million).

(c) Commitments in respect of forward exchange contracts amounted to Rs. 81.25 million (1997: Rs. 30.90 million).

(d) Commitments for rentals under lease agreements in respect of vehicles are as follows:

**Years ending June 30,**

1998	--	2,220
1999	3,455	1,412
2000	3,014	998
2001	2,170	699
2002	1,380	608
2003	453	--
	-----	-----
	10,472	5,937
	=====	=====

**12. OPERATING ASSETS**

The following is a statement of operating assets:

Description	Cost	Disposals/ Adjustments*	Cost	Accumulated	Book value	Depreciation charge for the year	Depreciation Rate %
	as at July 1, 1997		as at June 30, 1998	depreciation as at June 30, 1998	as at June 30, 1998		
(Rupees in thousands)							
Freehold land (Note 12.1)	13,927	20,423	--	34,350	--	34,350	--
Buildings on freehold land	84,656	38,775	--	123,431	16,177	107,254	2,836

Plant and machinery (Note 12.2)	669,681	153,795	(4,667) 3,906*	822,715	314,598	508,117	56,209	5 to 20
Furniture and fixtures	5,233	448	(76)	5,605	2,818	2,787	641	10 to 20
Vehicles	5,264	833	(717)	5,380	3,403	1,977	846	20
Office equipment	6,185	1,992	(151)	8,026	5,645	2,381	1,547	10 to 33
	784,946	216,266	(1,705)	999,507	342,641	656,866	62,079	
<b>Assets held under finance lease</b>								
Plant and machinery	53,631	47,628	(3,906)*	97,353	13,480	83,873	7,053	5 to 20
	838,577	263,894	(5,611)	1,096,860	356,121	740,739	69,132	
<b>1997</b>	721,472	118,217	(1,112)	838,577	289,908	548,669	54,933	

12.1 Two acres of land have been leased for 20 years, extendable with mutual consent at the rate of Rs. 15,000 per month per acre subject to periodical increases to Century Power Generation Limited, a subsidiary company.

12.2 Included in plant and machinery are some items with a cost of Rs. 11 million (W.D.V. Rs. 10.31 million) have been installed at Century Power Generation Limited, a subsidiary company for the full benefit of the company.

12.3 The depreciation charge for the year has been allocated as follows:

	1998	1997
	(Rupees in thousands)	
Cost of goods sold	65,951	51,636
Administrative and selling expenses	3,181	3,297
	69,132	54,933

12.4 The following assets were disposed off during the year:

Description	Cost	Accumulated Depreciation	Written Down Value	Sale Proceeds	Mode of Disposal	Sold to
(Rupees in thousands)						
Plant and machinery	4,064	1,929	2,135	4,900	Negotiation	M/s. Maple Leaf Electric Co. Ltd.
	603	411	192	--	Written off	
Furniture and fixtures	73	65	8	--	Written off	
	3	3	--	1	Negotiation written off	Mr. Ishaq Khalid-an employee
Vehicles	395	158	237	253	Negotiation	M/s. Colgate Palmolive Pakistan Ltd. an associated company.
	126	47	79	107	Insurance claim	M/s. Century Insurance Co. Ltd. an associated company.
	36	32	4	26	Negotiation	Mr. Fahim Ahmad Khan--an employee
	32	32	--	17	Negotiation	Mr. Muhammad Ramzan -- Lahore
	31	31	--	20	Negotiation	Mr. Raza Zeeshanullah Khan--Lahore
	31	31	--	17	Negotiation	Mr. M. Ilyas Tahir--an employee

	31	31	--	15	Negotiation	Mr. Altaf Masih--an employee
	19	15	4	210	Negotiation	Mr. Mian Usman -- Lahore
	15	6	9	80	Negotiation	Mr. Laidin--Lahore
Office equipment	119	105	14	50	Trade in	M/s. Office Automation Group
	33	23	10	12	Negotiation	Mr. Irfan Hafeez--an employee
	5,611	2,919	2,692	5,708		
1997	1,112	421	691	1,229		

**Note**                      **1998**                      **1997**  
**(Rupees in thousands)**

### 13. CAPITAL WORK-IN-PROGRESS

This consists of:

Civil works		2,142	36,950
Plant and machinery		3,397	191,898
Advance for purchase of land		--	1,000
Advance to suppliers		159	355
		5,698	230,203

### 14. LONG TERM INVESTMENT

Unquoted

Century Power Generation Limited - a subsidiary company

10,000,000 fully paid ordinary shares of Rs. 10 each

Equity held - 86.96% (1997: 86.96%)

Value of investment based on the net -

assets shown in the audited accounts

as at June 30, 1998 Rs. 126.91 million

(1997: Rs. 109.31 million)

100,000                      100,000

### 15. LONG TERM LOANS

Unsecured, considered good

Due from executives

1,259                      1,143

Other employees

50                              288

1,309                      1,431

Less: Current portion

20                              566                      487

743                              944

Outstanding for period exceeding three years

617                              680

Loans are granted principally for purchase of motor vehicles to employees of the company in accordance with their terms of employment, excluding those who have been provided with company maintained cars. The maximum amount due from executives at the end of any month during the year was Rs. 1.32 million (1997: Rs. 1.20 million). The loans are repayable over a period of five years.

**1998**                      **1997**  
**(Rupees in thousands)**

### 16. LONG-TERM DEPOSITS AND PREPAYMENT



Security deposits	6,436	4,863
Prepayment	60	--
	-----	-----
	6,496	4,863
	=====	=====

**17. STORES AND SPARES**

Stores	20,904	13,556
Spares		
- In hand	82,115	52,225
- In transit	4,540	1,878
	-----	-----
	86,655	54,103
	-----	-----
	107,559	67,659
Less: Provision for slow moving and obsolete items	5,000	4,000
	-----	-----
	102,559	63,659
	=====	=====

**18. STOCK-IN-TRADE**

Raw materials		
In hand [in bonded warehouse Rs. Nil (1997) Rs. 4.90 million]	189,196	71,168
In transit	17,970	4,603
	-----	-----
	207,166	75,771
Work-in-process	17,707	11,211
Finished goods	13,253	2,433
	-----	-----
	238,126	89,415
	=====	=====
<b>19. TRADE DEBTS- UNSECURED</b>	95,618	68,042
	=====	=====

Trade debts are considered good and have been arrived at after deducting a general provision for doubtful debts of Rs. 0.50 million (1997: Rs. 0.50 million).

Net amount due from associated undertakings at the end of the year amounted to Rs. 6.47 million (1997: Rs. 6.12 million). The maximum amount due from associated undertakings at the end of any month during the year was Rs. 8.61 million (1997: Rs. 11.11 million).

	Note	1998	1997
(Rupees in thousands)			
<b>20. LOANS, ADVANCES AND OTHER RECEIVABLES</b>			
Loans			
Current portion of long-term loans to employees	15	566	487
Advances - considered good			
to employees		185	190
to suppliers		4,676	4,178
		-----	-----
		4,861	4,368
Other Receivables			
Dividend receivable from subsidiary company		10,000	--
Others		2,744	170
		-----	-----
		12,744	170
		-----	-----

	18,171	5,025
	=====	=====

**21. DEPOSITS AND PREPAYMENTS**

Deposits	4,953	1,997
Prepayments	244	785
Current account balance with the Central Excise Department	763	75
	-----	-----
	5,960	2,857
	=====	=====

**22. CASH AND BANK BALANCES**

At banks - on current accounts	4,677	5,400
- on deposit accounts	1,195	1,195
Cheques in hand	11,510	9,065
Cash in hand	1,121	671
	-----	-----
	18,503	16,331
	=====	=====

Cash at banks on current account includes US\$ 11 thousand(1997: US\$ Nil) .held in a foreign currency account with American Express Bank.

Note	<b>1998</b>	<b>1997</b>
	<b>(Rupees in thousands)</b>	

**23. SALES**

Gross Sales	1,599,397	1,182,429
Less: Sales tax	177,831	167,720
	-----	-----
	1,421,566	1,014,709
	=====	=====

**24. COST OF GOODS SOLD**

Materials consumed	729,263	476,058
Salaries, wages and other benefits	64,443	55,770
Fuel and power	258,434	180,663
Stores and spares consumed	64,727	43,807
Provision for slow moving and obsolete stores and spares	1,000	--
Excise duty	67,613	48,333
Insurance	6,547	4,674
Repairs and maintenance	9,914	5,465
Lease rentals	783	655
Packing expenses	14,845	10,778
Depreciation	65,951	51,636
Postage and telephone	993	1,324
Travelling and conveyance	1,104	365
Other expenses	516	388
Insurance claim on consequential loss policy	24.1 (4,579)	--
	-----	-----
	1,281,554	879,916
	-----	-----
Opening work-in-process	11,211	5,785
Closing work-in-process	(17,707)	(11,211)
	-----	-----
	(6,496)	(5,426)
	-----	-----
Cost of goods manufactured	1,275,058	874,490
	-----	-----
Opening stock of finished goods	2,433	3,317
Closing stock of finished goods	(13,253)	(2,433)

(10,820)	884
1,264,238	875,374

24.1 This represent claim received from an insurance company for consequential losses due to interruption in production caused by heavy rains and flood during the year.

**1998                      1997**  
**(Rupees in thousands)**

**25. ADMINISTRATIVE AND SELLING EXPENSES**

Salaries, wages and other benefits	21,215	18,479
Insurance	1,658	1,659
Repairs and maintenance	1,718	2,400
Lease rentals	1,213	1,332
Electricity charges	550	442
Provision for doubtful debts written back	--	(500)
Depreciation	3,181	3,297
Fees and subscription	364	378
Advertisement	127	221
Travelling and conveyance	1,675	711
Rent, rates and taxes	2,175	1,694
Printing, stationery and periodicals	642	693
Postage & telephone	1,777	1,825
Other expenses	7	15
	-----	-----
	36,302	32,646
Less: Recovery from Century Power Generation Limited (a subsidiary company)	480	480
	-----	-----
	35,822	32,166

**26. OTHER INCOME**

Dividend income from a subsidiary company	25,000	10,000
Sale of scrap	4,514	3,258
Insurance agency commission	2,096	2,442
Profit on sale of fixed assets (net)	3,016	538
Return on short-term investment and deposits	335	358
Rent	368	368
Miscellaneous	53	19
	-----	-----
	35,382	16,983

**27. FINANCIAL CHARGES**

Mark-up on redeemable capital	31,825	33,164
Mark-up/interest on:		
Long-term foreign currency loans	117	1,575
Loan from a subsidiary company	3,485	29
Short-term running finances	22,345	12,554
Finance lease obligations	9,731	5,333
Workers' profits participation fund	165	1,475
Suppliers' credit	4,616	--
	-----	-----
	40,459	20,966
Central excise duty	34	2,994
Other loan receiving charges	775	553
Bank charges and commission	626	576
Loss on forward exchange contracts (Net)	885	173

	74,604	58,426
	=====	=====

**28. OTHER CHARGES**

Legal and professional charges	284	532
Auditors' remuneration		
Audit fee	125	100
Other services	33	3
Out of pocket expenses	11	8
	-----	-----
	169	111
Workers' profit participation fund	4,091	3,254
Workers' welfare fund	916	485
Donations	28.1	5
	5	5
	-----	-----
	5,465	4,387
	=====	=====

28.1 Recipients of donations do not include any donee in whom a director or his spouse had an interest.

**29. GRATUITY**

The liability for gratuity not provided in these accounts amounts to Rs. 0.66 million (1997: Rs. 0.56 million) (note 2.3),

**30. TAXATION**

Current - for the year	8,100	5,524
- for the prior years	2,759	148
	-----	-----
	10,859	5,672
	=====	=====

**31. CASH GENERATED FROM OPERATIONS**

Profit before taxation	76,819	61,339
Adjustment for non-cash charges and other items:		
Depreciation	69,132	54,933
Gain on sale of fixed assets	(3,016)	(538)
Dividend income	(25,000)	(10,000)
Return on short term investment and deposits	(335)	(358)
Financial charges	74,604	58,426
Working capital changes	31.1	(102,560)
	(89,644)	8,583
	-----	-----
	89,644	172,385
	=====	=====

**31.1 Working capital changes**

(Increase)/decrease in current assets:

Stores and spares	(38,900)	(9,401)
Stock-in-trade	(148,711)	44,449
Trade debts	(27,576)	(12,868)
Loans, advances and other receivables (excluding dividend income)	(3,006)	4,075
Deposits and prepayments	(3,103)	864
	-----	-----
	(221,296)	27,119

(Decrease)/increase in current liabilities:

Creditors, accrued and other liabilities (excluding unclaimed dividend)	118,736	(18,536)
	-----	-----
	(102,560)	8,583

**32. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES**

The aggregate amount charged in the accounts for remuneration, including all benefits to chief executive and executives of the company is as follows:

	1998			1997		
	Chief Executive	Executives	Total	Chief Executive	Executives	Total
(Rupees in thousands)						
Managerial remuneration	611	9,079	9,690	518	7,629	8,147
House rent	249	3,685	3,934	211	3,088	3,299
Bonus	92	1,363	1,455	78	1,401	1,479
Provident fund	50	741	791	42	623	665
<b>Total</b>	<b>1,002</b>	<b>14,868</b>	<b>15,870</b>	<b>849</b>	<b>12,741</b>	<b>13,590</b>
Number of persons	1	44	45	1	38	39

Aggregate amount charged in these accounts in respect of directors' fee is Rs. 1,000(1 997: Rs. 1,000).

The Chief Executive and executives are also provided with free use of company maintained cars.

**33. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

Sales of goods and services	188,398	210,789
Purchases of goods and services	182,552	135,805
Rent and other allied charges	2,209	1,547
Dividend income	25,000	10,000

The transactions with the associated undertakings are in the normal course of business at contracted rates and terms determined in accordance with market rates.

**34. CAPACITY AND PRODUCTION - TONNES**

	1998		1997	
	Capacity annual on three shift	Actual Production	Capacity annual on three shift	Actual Production
Paper and Board	50,000	51,145	30,000	35,469

During the year a second board machine was commissioned increasing the capacity of production from 30,000 M.T. to 50,000 M.T.

**35. GENERAL**

35.1 Corresponding figures have been rearranged, wherever necessary, for the purposes of comparison.

35.2 Amounts have been rounded off to the nearest thousand of rupees.

**STATEMENT UNDER SECTION 237 (1) OF THE COMPANIES ORDINANCE, 1984****1998**

a) Extent of the interest of Century Paper & Board Mills Limited

(the holding company) in the equity of Century Power Generation Limited (the subsidiary company ) at the end of the financial year of the subsidiary.

86.96%

b) The net aggregate amount of profits after deducting losses if any, of the subsidiary company so far as these concern members of the holding company and have not been dealt with in the accounts of the holding company for the year ended June 30, 1998.

i) for the financial year of the subsidiary;

Rs. 17.60 million

ii) for the previous years of the subsidiary since it became the holding company's subsidiary;

Rs. 14.30 million

c) The net aggregate amount of profits after deducting losses, if any, of the subsidiary company so far as these have been dealt with or provision made for losses in the accounts of the holding company for the year ended June 30, 1998.

i) for the financial year of the subsidiary;

Rs. 25.00 million

ii) for the previous years of the subsidiary since it became the holding company's subsidiary.

Rs. 10.00 million

#### **PATTERN OF HOLDING OF SHARES HELD BY THE SHAREHOLDERS AS AT JUNE 30, 1998**

<b>No. of Shareholders</b>	<b>From</b>	<b>Shareholding</b>	<b>To</b>	<b>Total Shares Held</b>
54	1	100	Shares	3,463
103	101	500	Shares	25,992
173	501	1,000	Shares	128,000
228	1,001	5,000	Shares	506,965
41	5,001	10,000	Shares	291,661
20	10,001	15,000	Shares	231,055
9	15,001	20,000	Shares	155,174
10	20,001	25,000	Shares	226,557
6	25,001	30,000	Shares	167,750
6	30,001	35,000	Shares	193,624
2	35,001	40,000	Shares	72,804
1	40,001	45,000	Shares	41,360
2	45,001	50,000	Shares	99,000
1	50,001	55,000	Shares	51,425
2	55,001	60,000	Shares	113,200
2	60,001	65,000	Shares	126,181
1	70,001	75,000	Shares	71,500
1	75,001	80,000	Shares	78,045
1	80,001	85,000	Shares	83,820
2	85,001	90,000	Shares	176,814
1	105001	110,000	Shares	110,000
1	110001	115,000	Shares	112,904
1	125,001	130,000	Shares	129,500
1	130,001	135,000	Shares	135,000
1	140,001	145,000	Shares	140,250
1	165,001	170,000	Shares	167,200
3	175,001	180,000	Shares	528,000
1	195,001	200,000	Shares	198,100
1	200,001	205,000	Shares	200,658
1	255,001	260,000	Shares	260,000
1	320,001	325,000	Shares	324,500
1	650,001	655,000	Shares	652,300
1	960,001	965,000	Shares	963,776
1	1,055,001	1,060,000	Shares	1,059,500
1	1,110,001	1,115,000	Shares	1,110,400

1	1,120,001	1,125,000	Shares	1,121,465
1	1,195,001	1,200,000	Shares	1,200,000
1	1,545,001	1,550,000	Shares	1,548,943
1	1,730,001	1,735,000	Shares	1,733,423
1	2,315,001	2,320,000	Shares	2,317,128
1	2,475,001	2,480,000	Shares	2,478,736
1	3,500,001	3,505,000	Shares	3,501,608
1	5,725,001	5,730,000	Shares	5,727,019

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690	TOTAL	28,564,800
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#### Categories of Shareholders

	Number	Shares Held	Percentage
Individuals	656	3,674,252	12.86
Investment companies	10	6,246,228	21.87
Insurance companies	2	1,001,215	3.51
Joint stock companies	7	11,612,448	40.65
Financial institutions	3	4,242,783	14.85
Modaraba companies	9	480,774	1.68
Banks	3	1,307,100	4.58
	690	28,564,800	100.00

#### STATISTICAL SUMMARY

(Rs. '000)

	1997-98	1996/97	1995/96	1995 (six months) (Jan-Jun)	1994
<b>ASSETS EMPLOYED</b>					
Fixed Assets	746,437	778,872	711,138	546,017	537,523
Long-term investments	100,000	100,000	100,000	75,000	--
Long-term loans, deposits prepayments and deferred cost	7,239	5,807	4,647	6,050	4,960
Working capital (excluding current portion)	93,665	55,479	72,053	154,682	20
Total assets employed	947,341	940,158	887,838	781,749	542,503
<b>FINANCED BY</b>					
Paid-up capital	285,648	285,648	259,680	259,680	162,300
Reserves	370,456	304,496	303,362	264,507	99,545
	656,104	590,144	563,042	524,187	261,845
Redeemable capital and deferred mark-up	147,627	218,603	221,529	159,568	190,632
Long-term loans	17,000	21,906	24,380	53,142	67,942
Liability against assets subject to finance lease	71,606	54,501	23,883	28,852	22,084
Deferred liabilities	55,004	55,004	55,004	16,000	--
Total capital employed	947,341	940,158	887,838	781,749	542,503
<b>TURNOVER &amp; PROFIT</b>					
Gross sales	1,599,397	1,182,429	1,269,651	550,731	870,003
Net sales	1,421,566	1,014,709	1,104,015	478,905	756,429
Gross profit	157,328	139,335	281,398	131,909	175,949
% of net sales	11	14	25	28	23
Profit before Taxation	76,819	61,339	195,132	93,993	94,138
% of net sales	5	6	18	20	12
Profit after taxation	65,960	55,667	106,372	67,582	89,761

Cash dividend %	--	10	25	--	12
Bonus issue %	10	--	10	--	10
<b>OTHERS</b>					
Capital expenditure	39,391	123,358	221,128	34,799	31,743
Earnings per share (Rs.)	2.31	1.95	4.10	2.60	5.53
No. of employees	836	822	798	771	727

**CENTURY POWER GENERATION LIMITED**  
**ANNUAL REPORT 1998**

**CORPORATE INFORMATION**

**BOARD OF DIRECTORS**

Iqbalali Lakhani  
Chairman

M. Rafi Chawla                      Tasleemuddin Ahmed Batlay  
Chief Executive & Managing Director

Zulfiqarali Lakhani              Aziz Ebrahim  
Amin Mohammed Lakhani      Aftab Ahmad

**ADVISOR**

Sultanali Lakhani

**COMPANY SECRETARY**

Ramzanali Halani

**EXECUTIVE COMMITTEE**

M. Rafi Chawla  
Aftab Ahmad  
Mir Nadir Ali  
Zafar Iqbal Sobani

**AUDITORS**

M. Yousuf Adil Saleem & Co.  
Chartered Accountants

**BANKERS**

ANZ Grindlays Bank Limited  
Faysal Bank Limited  
Habib Bank Limited

**HEAD OFFICE, CORPORATE OFFICE**

Lakson Square, Building No. 2,  
Sarwar Shaheed Road, Karachi-74200, Pakistan.  
Phones: (021) 5689081-9  
Fax: (021) 5681163 & (021) 5683410  
E-Mail: cpbm @cyber. net.pk

**REGISTERED OFFICE**

41-K, Model Town, Lahore, Pakistan.  
Phones: (042) 5880697, 5880928  
Fax: (042) 5830338

**POWER GENERATION PLANT**

Jamber Khurd, Bhai Pheru, Tehsil Chunian,  
Lahore-Multan Road, District Kasur, Pakistan.  
Phones: (04943) 2761, 2762, (04951) 388151, 388200  
Fax: (04943) 2763



**DIRECTORS' REPORT**

The Directors are pleased to present audited accounts for the year ended June 30, 1998.

**APPROPRIATIONS:**

Your Board recommends that the net profit of Rs. 48.96 million earned during the year under review together with the unappropriated profit of Rs. 0.70 million brought forward be appropriated as follows:

	(Rupees '000)
Profit before taxation	49,129
Taxation	144
	-----
Profit after taxation	48,985
Un-appropriated profit brought forward	700
	-----
	49,685
	-----
First interim dividend Re 1.00 (1997: Re 1.00) per share	11,500
Second interim dividend Re 1.00 (1997: Nil) per share	11,500
Proposed dividend Re 0.50 (1997: Re 0.50) per share	5,750
Transferred to general reserve	20,000
	-----
	48,750
	-----
Unappropriated Profit carried forward	935
	=====

**GENERATION**

This was the second full year of operation of the Company and we are pleased to report that the plant has been performing very well. The capacity utilisation for the year was 66% compared to 55% last year. However, the Plant is currently operating at about 75% capacity utilisation. The company generated 64.76 million KWh compared to 53.71 million KWh last year.

**OPERATING RESULTS**

During the year the company sold 61.71 million units (KWh) to the associated companies viz. Century Paper & Board Mills Limited & Tritex Cotton Mills Limited and two outside small units close to Mills premises and generated a revenue of Rs. 206 million compared to Rs. 152 million last year t an increase of 36%. This was principally due to commencement of PM-IV project of our sister concern M/s. Century Paper & Board Mills limited.

The Net Profit during the year was Rs. 48.99 million compared to Rs. 21.60 million last year t an increase of 127%. As a result the EPS increased from 1.88 in 1996-97 to 4.26 in the year under review.

**ACKNOWLEDGMENTS**

The Board wishes to thank all its employees and management for their dedication and valuable contribution made during the year.

The Board also wishes to thank company's bankers for their continued support.

**AUDITORS**

The present Auditors, M. Yousuf Adil Saleem & Co., retire and being eligible, offer themselves for reappointment.

**PATTERN OF SHAREHOLDING**

A statement showing the pattern of shareholding in the prescribed form is included in this report.

**PATTERN OF HOLDING OF SHARES****HELD BY THE SHAREHOLDERS AS AT JUNE 30, 1998**

No. of Shareholders	From	Shareholding	To	Total Shares Held
4	101	500	Shares	2,000
1	30,001	35,000	Shares	32,000
1	35,001	40,000	Shares	38,000

2	45,001	50,000	Shares	100,000
1	75,001	80,000	Shares	78,000
1	95,001	100,000	Shares	100,000
1	115,001	120,000	Shares	120,000
3	145,001	150,000	Shares	450,000
1	160,001	165,000	Shares	162,000
1	165,001	170,000	Shares	168,000
1	245,001	250,000	Shares	250,000
1	9,995,001	10,000,000	Shares	10,000,000
-----				
18		TOTAL		11,500,000
=====				

#### Categories of Shareholders

	Number	Shares Held	Percentage
Individuals	13	902,000	7.85
Insurance company	1	250,000	2.17
Joint stock companies	4	10,348,000	89.98
	-----	-----	-----
	18	11,500,000	100.00
	=====	=====	=====

#### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of CENTURY POWER GENERATION LIMITED as at June 30, 1998 and the related profit and loss account and the statement of changes in financial position (cash flow statement), together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

a. in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b. in our opinion:

i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied,

ii. the expenditure incurred during the year was for the purpose of the Company's business; and

iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the statement of changes of financial position (cash flow statement), together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1998 and of the profit and the changes in cash flow for the year then ended; and

d. in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

**M. YOUSUF ADIL SALEEM & CO.**  
Chartered Accountants

Karachi: September 23, 1998

#### BALANCE SHEET AS AT JUNE 30, 1998

Note                      1998                      1997

(Rupees in thousands)

**SHARE CAPITAL AND RESERVES**

Authorised capital 30,000,000 ordinary shares of Rs. 10/- each		300,000	300,000
Issued, subscribed and paid-up capital	3	115,000	115,000
Reserves	4	30,935	10,700
		145,935	125,700
<b>REDEEMABLE CAPITAL</b>	5	50,000	75,000
<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>	6	20,370	30,209
<b>CURRENT LIABILITIES</b>			
Current portion of redeemable capital	5	25,000	25,000
Short term running finance	7	--	--
Current portion of liabilities against assets subject to finance lease		10,861	4,791
Creditors, accrued and other liabilities	8	7,665	11,441
Dividend	9	17,250	5,750
		60,776	46,982
<b>COMMITMENTS</b>	10		
		277,081	277,891

The annexed notes form an integral part of these accounts.

<b>OPERATING FIXED ASSETS</b>	11	207,637	223,619
<b>LONG-TERM LOAN</b>	12	17,000	17,000
<b>LONG-TERM DEPOSITS AND DEFERRED COSTS</b>	13	5,045	4,619
<b>CURRENT ASSETS</b>			
Stores and spares	14	15,079	11,897
Stock-in-trade	15	4,417	1,856
Debtors	16	20,512	13,816
Advances, deposits, prepayments and other receivables	17	317	59
Tax refundable		60	115
Cash and bank balances	18	7,014	4,910
		47,399	32,653
		277,081	277,891

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1998**

	Note	1998	1997
		(Rupees in thousands)	
Sales		206,461	152,214
Cost of generations	19	135,357	106,031
Gross profit		71,104	46,183
Administration and general expenses	20	1,291	1,417
Operating profit		69,813	44,766
Other income	21	1,316	742
		71,129	45,508
Financial charges	22	19,273	22,600

Other charges	23	2,727	1,280
		-----	-----
		22,000	23,880
		-----	-----
Profit before taxation		49,129	21,628
Taxation	24	144	28
		-----	-----
Profit after taxation		48,985	21,600
Unappropriated profit brought forward		700	350
		-----	-----
Profit available for appropriation		49,685	21,950
Appropriations:			
First interim dividend Re 1.00 (1997: Re 1.00) per share		11,500	11,500
Second interim dividend Re 1.00 (1997: Nil) per share		11,500	--
Proposed dividend Re. 0.50 (1997: Re 0.50) per share		5,750	5,750
Transferred to general reserve		20,000	4,000
		-----	-----
		48,750	21,250
		-----	-----
Unappropriated profit carried forward		935	700
		=====	=====

The annexed notes form an integral part of these accounts.

#### STATEMENT OF CHANGES IN FINANCIAL POSITION (CASH FLOW STATEMENT) FOR THE YEAR ENDED JUNE 30, 1998

	Note	1998	1997
		(Rupees in thousands)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	25	69,751	65,446
Financial charges paid		(19,551)	(39,029)
Tax paid		(89)	(139)
		-----	-----
Net cash inflow from operating activities		50,111	26,278
		=====	=====
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(1,465)	4,742
Long-term loan		--	(17,000)
Long term deposits and deferred costs		(523)	(286)
		-----	-----
Net cash outflow from investing activities		(1,988)	(12,544)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Redeemable capital obtained		--	100,000
Redemption of redeemable capital		(25,000)	(100,000)
Sponsors' bridge loan		--	(10,000)
Lease finance obtained		1,050	--
Repayment of finance lease		(4,819)	--
Dividend paid		(17,250)	(11,500)
		-----	-----
Net cash outflow from financing activities		(46,019)	(21,500)
		-----	-----
Net increase/(decrease) in cash activities		2,104	(7,766)
Cash and bank balances at the beginning of the year		4,910	12,676
Cash and bank balances at the end of the year		7,014	4,910

=====

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1998****1. THE COMPANY AND ITS OPERATIONS**

The Company is incorporated in Pakistan on August 18, 1994 under the Companies Ordinance, 1984 as a public limited Company. It is a subsidiary of Century Paper & Board Mills Limited. The main objective of the company is to generate and sell electric power. The project is located at District Kasur in the province of Punjab.

**2. SIGNIFICANT ACCOUNTING POLICIES****2.1 Accounting convention**

These accounts have been prepared on the basis of the historical cost convention.

**2.2 Taxation**

The Profits of the company are exempt from tax under clause 176 of the Second Schedule to the Income Tax Ordinance, 1979.

**2.3 Staff retirement benefits**

The company contributes to a provident fund scheme established since July 01, 1996.

**2.4 Operating fixed assets and depreciation**

These are stated at cost less accumulated depreciation, except capital work-in-progress which are stated at cost. Depreciation on operating fixed assets is provided on a straight line basis.

Rate of depreciation which are disclosed in note 11, are designed to write off the cost over the estimated useful life of assets. Depreciation on addition and deletion are charged for the period of use.

Normal repairs and maintenance costs are charged to the profit and loss account as and when incurred. Major renewals and improvements are capitalised.

Gain and losses on disposals of fixed assets are taken to the profit and loss account.

**2.5 Assets subject to finance lease**

Assets held under finance lease are stated at cost less depreciation. The outstanding obligation under the lease finance charges allocated to future periods are shown as a liability, the financial charges are allocated to accounting periods in a manner so as to provide constant periodic rate of charge on the outstanding liability. Depreciation is charged at the same rate as company owned assets.

**2.6 Stock in trade and Stores and spares**

These are stated at the lower of cost and estimates net realisable value. Cost is arrived at by using the moving average method except those in transit which are valued at actual cost.

**2.7 Deferred cost**

These are amortized over a maximum period of five years.

**2.8 Debtors**

Debtors considered irrecoverable are written off and provision is made for debts considered doubtful.

**2.9 Revenue recognition**

Energy sales are recognised on the basis of meter readings recorded on continuous monthly basis.

**1998                      1997**  
**(Rupees in thousands)**

**3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

11,500,000 Ordinary shares of Rs. 10/- each  
fully paid in cash

115,000                      115,000

=====

At June 30, 1998 10,000,000 Ordinary shares of the company were held by Century Paper & Board Mills Limited.

#### 4. RESERVES

Revenue reserves		
General reserve		
At the beginning of the year	10,000	6,000
Transfer from profit and loss account	20,000	4,000
	-----	-----
	30,000	10,000
Unappropriated profit	935	700
	-----	-----
	30,935	10,700
	=====	=====

#### 5. REDEEMABLE CAPITAL

(Secured - Non participatory)

From a banking company	75,000	100,000
Less: Current portion shown under current liabilities	25,000	25,000
	-----	-----
	50,000	75,000
	=====	=====

Long-term finance utilised under mark-up arrangement has been obtained from ANZ Grindlays Bank.

The total purchase price amounting to Rs. 169 million which is subject to a prompt payment rebate of Rs. 25 million.

The loan is repayable in eight equal semi annual installments.

The rate of markup is 3% over the cut-off yield of the last auction of T-Bill immediately preceding markup due date, subject to minimum rate of 18.5% per annum.

The finance is secured by way of hypothecation of the company's plant and machinery.

#### 1998                      1997 (Rupees in thousands)

#### 6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	20,370	30,209
	=====	=====
The amount of future payments and the years during which they become due are:		
<b>Years ending June 30,</b>		
1998	--	10,273
1999	15,371	15,064
2000	15,371	15,064
2001	7,839	7,532
2002	307	
2003	283	--
	-----	-----
	39,171	47,933
Less: Financial charges allocated to future years	7,940	12,933
	-----	-----
	31,231	35,000
Less: Current portion	10,861	4,791
	-----	-----
	20,370	30,209
	=====	=====

The rate of financial charge implicit is 16.75% to 19% per annum.

At the end of the lease period the ownership of assets shall transfer to the company on payment of residual value.

The liabilities are secured by demand promissory notes and security deposits.

## 7. SHORT TERM RUNNING FINANCE

A finance facility amounting to Rs. 20 million(1997 - Nil) has been obtained from ANZ Grindlays Bank which is secured against hypothecation over plant and machinery. The facility is repayable by November 30, 1998 and is renewable. The mark-up is charged at the rates of Re 0.4657 per thousand rupees on daily product basis.

The facility for opening of letters of credit as at June 30, 1998 amounted to Rs. 10 million(1997 - Nil) and remain unutilized at the end of the year.

**1998**                      **1997**  
**(Rupees in thousands)**

## 8. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	1,221	6,916
Accrued liabilities	28	26
Advances from customers	780	--
Mark-up accrued on secured redeemable capital	321	321
Financial charges under finance leases	2,381	2,741
Mark-up on short term running finance	82	--
Central excise duty	116	201
Workers' profits participation fund (Note 8.1 )	2,644	1,168
Other liabilities	92	68
	-----	-----
	7,665	11,441
	=====	=====

### 8.1 Workers' profit participation fund

Balance at the beginning of the year	1,168	334
Interest on funds utilised in company's business	58	30
Allocation for the year	2,586	1,138
	-----	-----
	3,812	1,502
	1,168	334
	-----	-----
Balance at the end of the year	2,644	1,168
	=====	=====

## 9. DIVIDEND

Proposed	5,750	5,750
Payable	11,500	--
	-----	-----
	17,250	5,750
	=====	=====

## 10. COMMITMENTS

(a) Commitments under letters of credit as at the end of the year amounted to Rs. Nil (1997: Rs. 0.67 million).

(b) Commitments for rentals under lease agreement in respect of vehicle:

### Year ending June 30,

1998	--	252
1999	252	252
2000	63	63
	-----	-----
	315	567
	=====	=====

## 11. OPERATING FIXED ASSETS

Cost as at July 01, 1997	Additions	Cost as at June 30, 1998	Accumulated depreciation at June 30, 1998	Book value as at June 30, 1998	Depreciation charged for the year	Rate %
-----						

**(Rupees in thousands)**

Buildings	19,043	223	19,266	2,129	17,137	953	5
Plant and machinery	192,421	155	192,576	32,893	159,683	14,051	6.66-20
Furniture and fixtures	431	2	433	155	278	54	10-15
Office equipment	149	35	184	135	49	38	10-33
Assets held under finance lease	212,044	415	212,459	35,312	177,147	15,096	
Plant and machinery	35,000	1,050	36,050	5,560	30,490	2,351	6.66
	247,044	1,465	248,509	40,872	207,637	17,447	
1997	253,026	2,127 (8,109)	247,044	23,425	223,619	17,236	

11.1 The plant has been setup on two acres of land which has been acquired on lease for 20 years, extendable with mutual consent, from Century Paper & Board Mills Limited, a holding company.

11.2 Depreciation for the year has been allocated as follows:

	<b>1998</b>	<b>1997</b>
	<b>(Rupees in thousands)</b>	
Cost of generation	17,355	17,137
Administration and general expenses	92	99
	-----	-----
	17,447	17,236
	=====	=====
<b>12. LONG TERM LOAN</b>	17,000	17,000
	=====	=====

12.1 This represents a long term loan to holding company, Century Paper & Board Mills Limited.

12.2 The loan carries mark-up at the rate of 20.50% per annum. The repayment which is due in June 1999 has been extended for one more year.

**13. LONG TERM DEPOSITS AND DEFERRED COSTS**

Long-term lease deposits including return thereon	4,779	4,256
Deferred costs		
Opening balance	363	460
Amortized during the year	97	97
	-----	-----
	266	363
	-----	-----
	5,045	4,619
	=====	=====

**14. STORES AND SPARES**

Stores	609	815
Spares		
In hand	14,420	10,779
In transit	50	303
	-----	-----
	15,079	11,897
	=====	=====

**15. STOCK IN TRADE**

Oil and lubricants	4,417	1,856
	=====	=====

**16. DEBTORS (Unsecured - considered good)**

Holding company and associated undertaking	20,033	13,816
Others	479	--



	20,512	13,816
	=====	=====

**17. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

Advances - considered good

to suppliers	212	7
to employees	--	4

	-----	-----
	212	11

Deposits	--	3
Prepayments	--	9

Other receivables

Profit receivable on deposits	105	3
Others	--	33

	-----	-----
	105	36

	-----	-----
	317	59
	=====	=====

**18. CASH AND BANK BALANCES**

Cash in hand	30	30
--------------	----	----

Cash at banks

On current accounts	2,167	3,469
On deposit accounts	4,817	1,411

	-----	-----
	7,014	4,910
	=====	=====

**19. COST OF GENERATION**

Oil and lubricants	100,228	79,234
--------------------	---------	--------

Salaries, wages and other benefits	3,814	3,246
------------------------------------	-------	-------

Repairs and maintenance	2,421	1,425
-------------------------	-------	-------

Stores and spares	7,244	1,103
-------------------	-------	-------

Lease rentals	288	292
---------------	-----	-----

Rent, rates and taxes	373	360
-----------------------	-----	-----

Insurance	2,390	2,200
-----------	-------	-------

Electricity duty	1,244	1,033
------------------	-------	-------

Depreciation	17,355	17,137
--------------	--------	--------

Others	--	1
--------	----	---

	-----	-----
	135,357	106,031
	=====	=====

**20. ADMINISTRATION AND GENERAL EXPENSES**

Salaries, wages and other benefits	605	569
------------------------------------	-----	-----

Share of common expenses	480	480
--------------------------	-----	-----

Repairs and maintenance	7	62
-------------------------	---	----

Advertisement and publicity	--	14
-----------------------------	----	----

Lease rentals	36	40
---------------	----	----

Fees and subscription	23	5
-----------------------	----	---

Depreciation	92	99
--------------	----	----

Printing, stationery and periodicals	39	37
--------------------------------------	----	----

Postage and telephone	5	9
-----------------------	---	---

Travelling and conveyance	2	28
---------------------------	---	----

Others	2	74
--------	---	----

	-----	-----
	1,291	1,417
	=====	=====

**21. OTHER INCOME**

Insurance agency commission	392	436
-----------------------------	-----	-----

Profit on deposits	444	306
--------------------	-----	-----

Sale of scrap	480	--
---------------	-----	----

	1,316	742
	=====	=====

**22. FINANCIAL CHARGES**

Mark-up on redeemable capital	17,775	16,125
Financial charges under finance leases	4,657	5,137
Mark-up on short term running finance	210	--
Central excise duty	--	1,313
Bank charges and commission	58	24
Interest on workers' profit participation fund	58	30
	-----	-----
	22,758	22,629
Mark-up on long term loan from holding company	(3,485)	(29)
	-----	-----
	19,273	22,600
	=====	=====

**23. OTHER CHARGES**

Legal and professional	24	25
Audit fee	20	20
Workers' profit participation fund	2,586	1,138
Amortization of deferred costs	97	97
	-----	-----
	2,727	1,280
	=====	=====

**24. TAXATION**

Prior year	144	28
	=====	=====

In addition to exemption under 176 of the Second Schedule to the Income Tax Ordinance, 1979 profits and gains of the Company are also exempt from minimum tax liability under section 80(D) under clause 20 part IV of the Second Schedule to the Income Tax Ordinance 1979

The income tax authorities while framing the income tax assessment for the financial years 1995-96 and 1996-97 have taxed profits on deposits etc. The Company has filled appeals to Commissioner of Income Tax against the order for both the years. The decision of the Commissioner of Income Tax for the financial year 1995-96 has come in favour of the Company, however, tax department have filed appeal in the Tribunal challenging the order of the Commissioner of Income Tax.

**1998                      1997**  
**(Rupees in thousands)**

**25. CASH GENERATED FROM OPERATION**

Profit before taxation	49,129	21,628
Adjustment for non cash charges and other items:		
Depreciation	17,447	17,236
Amortization of deferred cost	97	97
Financial charges	19,273	22,600
Working capital changes (25.1)	(16,195)	3,885
	-----	-----
	69,751	65,446
	=====	=====

**25.1 Working capital changes**

(Increase)/Decrease in current assets		
Stores and spares	(3,182)	(2,384)
Stock in trade	(2,561)	100
Debtors	(6,696)	3,956
Advances, deposits, prepayments and other receivables	(258)	1,200
	-----	-----
	(12,697)	2,872
(Decrease)/increase in current liabilities		
Creditors, accrued and other liabilities	(3,498)	1,013
	-----	-----
	(16,195)	3,885



**26. GENERAL**

(a) Figures have been rounded off to the nearest thousand of rupees.

(b) Corresponding figures have been rearranged wherever necessary for the purpose of comparison.