

Century Paper & Board Mills Limited

Annual Report 1999

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Iqbalali Lakhani- Chairman
M. Rafi Chawla - Chief Executive & Managing Director
Zulfiqarali Lakhani
Amin Mohammed Lakhani
Tasleemuddin Ahmed Batlay
Aziz Ebrahim
Syed Shabahaat 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.
Emirates Bank International PJSC
Habib Bank Limited
Mashreq Bank Psc
National Bank of Pakistan
Oman International Bank S.A.O.G.
Standard Chartered Bank
Societe Generale
The Hong Kong & Shanghai Banking Corporation Limited

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

Lakson Square, Building No. 2
Sarwar Shaheed Road, Karachi-74200, Pakistan
Phones: (021) 5689081- 89
Fax: (021) 5681163 & (021) 5683410
E-Mail: cpbm@cyber.net.pk

REGISTERED OFFICE & REGIONAL SALES OFFICE (NORTH)

41-K, Model Town, Lahore, Pakistan
Phone: (042) 5880697

MILLS

Jamber Khurd, Bhai Pheru, Tehsil Chunian
Lahore-Multan Road, District Kasur, Pakistan
Phones: (04951) 3881 51 & 388200

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 16th Annual General Meeting of CENTURY PAPER & BOARD MILLS LIMITED will be held on Tuesday December 21, 1999 at 10:00 a.m. at Avari Renaissance Towers Hotel, Fatima Jinnah Road, Karachi to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet and Profit and Loss account for the year ended June 30, 1999 and the Directors' and Auditors' Reports thereon.
2. To declare a dividend @ 15% i.e. Rs. 1.50 per share of Rs. 10/- each.
3. To appoint Auditors and to fix their remuneration.

By Order of the Board

RAMZANALI HALANI
Company Secretary

DATED: October 23, 1999

NOTES:

1. The share transfer books of the Company will remain closed from December 08, 1999 to December 21, 1999 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 December 07, 1999 will be considered in time for entitlement of dividend.
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.

QUALITY POLICY

OUR MISSION-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.

HIGHLIGHTS

	<i>Rs. in '000</i>	
	<i>Year to June 30,</i>	
	<i>1999</i>	<i>1998</i>
Sales - Net	1,629,436	1,421,566
Profit before taxation	107,458	76,819

Taxation	33,730	10,859
Profit after taxation	73,728	65,960
Shareholders' equity	682,700	656,104
Total assets	1,343,962	1,369,981
Dividend		
Cash-percentage of paid up capital	15	--
Stock-percentage of paid up capital	--	10
Earnings per share-Rupees	2.35	2.10
Paper and Board Produced-tonnes	58,545	51,145
Number of employees	857	836

STATEMENT OF VALUE ADDED

	<i>1999</i>	<i>% age</i>	<i>1998</i>	<i>% age</i>
	<i>Rs. 000</i>		<i>Rs. 000</i>	
Wealth Generated				
Total revenue, net of sales tax	1,685,226		1,457,428	
Bought-in-material & services	(1,201,812)		(1,020,798)	
	-----		-----	
	483,414	100	436,630	100
	=====		=====	
Wealth Distributed				
To Employees				
Salaries, benefits & related costs	94,899	20	85,658	20
To Government				
Excise duty, income tax, import duty (exclusive of capital items) and Workers' Fund	163,446	33	141,276	32
To providers of capital				
Dividend to shareholders	47,132	10	--	--
Mark-up/interest expenses on borrowed funds	77,063	16	74,604	17
Retained for reinvestment & future growth				
Depreciation & retained profit	100,874	21	135,092	31
	-----		-----	
	483,414	100	436,630	100
	=====		=====	

FINANCIAL REVIEW OF FIVE YEARS

	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>	<i>(Rs. '000)</i>
					<i>1995</i>
					<i>(Six months)</i>
					<i>(Jan - Jun)</i>

ASSETS EMPLOYED

Fixed Assets	736,623	746,437	778,872	711,138	546,017
Long-term investments	100,000	100,000	100,000	100,000	75,000
Long-term Loans, deposits and prepayments	8,606	7,239	5,807	4,647	6,050
Working capital (excluding current portion)	102,653	93,665	55,479	72,053	154,682
	-----	-----	-----	-----	-----
Total assets employed	947,882	947,341	940,158	887,838	781,749
	=====	=====	=====	=====	=====

FINANCED BY

Paid-up capital	314,213	285,648	285,648	259,680	259,680
Reserves	368,487	370,456	304,496	303,362	264,507
	-----	-----	-----	-----	-----
Shareholders' fund	682,700	656,104	590,144	563,042	524,187
Redeemable capital	124,931	147,627	218,603	221,529	159,568
Long-term loans	--	1 7,000	21,906	24,380	53,142
Liability against assets subject to finance lease	70,247	71,606	54,501	23,883	28,852
Deferred liabilities	70,004	55,004	55,004	55,004	16,000
	-----	-----	-----	-----	-----
Total capital employed	947,882	947,341	940,158	887,838	781,749
	=====	=====	=====	=====	=====

TURNOVER & PROFIT

Gross sales	1,857,924	1,599,397	1,182,429	1,269,651	550,731
Net sales	1,629,436	1,421,566	1,014,709	1,104,015	478,905
Gross profit	179,734	157,328	139,335	281,398	131,909
% of net sales	11	11	14	25	28
Profit before Taxation	107,458	76,819	61,339	195,132	93,993
% of net sales	7	5	6	18	20
Profit after Taxation	73,728	65,960	55,667	106,372	67,582
Cash dividend %	15	--	10	25	--
Bonus issue %	--	10	--	10	--

OTHERS

Capital expenditure	67,666	39,391	123,358	221,128	34,799
Earnings per share (Rs.) (Note)	2.35	2.10	1.77	3.39	2.15
No. of employees	857	836	822	798	771

Note: Figures restated based on bonus issues.

DIRECTORS' REVIEW

The Directors have pleasure in presenting their annual report together with the Company's audited accounts for the year ended June 30, t999.

MARKETING AND BUSINESS SCENARIO

This year has been an exceedingly challenging period. General economic recessionary conditions have continued which has severely affected the business environment. This has a direct bearing on our paper industry. The Company

inspite of above, achieved volume increase of around 15%, from 50,1 92 M.Tons to 58,014 M.Tons.

The first half of the financial year was in the grip of economic sanctions causing stagnation. In addition to this the cheaper and liberal imports in the Country, primarily due to massive devaluation of currency in Far Eastern countries, the selling prices of your Company's products were under pressure and although the desired volumes were achieved the profitability remained below.

The second half witnessed some improvements in selling price of Company's products to cover increases in our input cost especially raw material. During the year the Company had taken certain initiatives and had introduced some new products which provided customers various choice of packaging board. These products were accepted well by the customers and regular orders are received from our customers. These new products have helped the Company to maintain its market share in the current business scenario.

We have been emphasising in our previous year's Directors' Report and would once again reiterate need for even playing field to the local manufacturers visa vis imported products. The Company through platform of its Association has called upon the Tariff Anomaly Commission of Government of Pakistan to levy Anti Dumping duties for combating cheaper imports from Far Eastern Countries.

The industry also suffers from multiple taxes of Excise Duty and Sales Tax and once again we reiterate that in order to save the industry from collapse, 5% Excise Duty should be withdrawn on locally produced Paper and Board.

MANUFACTURING

During the year under review the production facilities including paper and board machines, coating machines, indigenous pulp mill alongwith supporting ancillary facilities performed well. Normal routine repair and maintenance were carried out, in order to achieve the desired results consistently. Efficiencies were achieved in products inputs and lower per ton figures were achieved in comparison to last year in fibre inputs, electricity, steam and water.

FINANCIAL RESULTS

In year 1998/99 the Company earned a profit before tax of Rs. 107.46 million compared to Rs. 76.82 million last year, an increase of 40%. The profit after tax increased to Rs. 73.73 million in year 1998/99 compared to Rs. 65.96 million last year. This was achieved largely due to volume increase and improvement in operating efficiencies.

Your Board recommends that the net profit of Rs. 73.73 million earned during the year together with the balance of unappropriated profit of Rs. 0.85 million brought forward from the prior year be appropriated as follows:

(Rupees '000)

Profit before taxation	107,458
Taxation	(33,730)

Profit after taxation	73,728
Unappropriated profit brought forward	846

Profit available for appropriation	74,574
Appropriation:	
Proposed dividend on 31.42 million shares of Rs. 10 each at Rs. 1.50 per share	(47,132)
Transfer to General Reserve	(27,000)

Unappropriated profit carried forward	442

Earnings per share

=====

Rs. 2.35

CONTRIBUTION TO NATIONAL EXCHEQUER

Company's contribution in terms of duties and taxes to the National Exchequer during the year was Rs. 387 million compared to Rs. 338 million in the preceding year an increase of 14%.

ISO 9002 CERTIFICATION & OTHER MILESTONES

We are in process of increasing the scope of ISO 9002 certification and Insha Allah very soon all the remaining manufacturing areas at Mills will be certified and we hope that will provide tangible result in shape of enhanced operational efficiencies.

Your Company has also been selected and awarded for pollution control, in the Pulp and Paper Sector by the ETPI (FPCCI).

YEAR 2000 COMPLIANCE

The Company has satisfactorily addressed the issues and risk related to the potential impact of "Year 2000" on computer systems and infrastructure.

CONSOLIDATED FINANCIAL STATEMENTS

In this annual report we have included audited consolidated financial statements for the year ended June 30, 1999 to provide the combined results of your Company and its subsidiary, Century Power Generation Limited, in view of applicability of IAS-27 "Consolidated Financial Statements and Accounting for Investment in Subsidiaries" in Pakistan from accounting period starting from July 01, 1998.

SUBSIDIARY COMPANY'S OPERATIONS

Century Power Generation Limited, our subsidiary, in which your Company has 87% stake showed good progress during the year. Its operating profit increased from Rs. 69.81 million in 1997/98 to Rs. 78.22 million in year 1998/99. The net profit for the year 1998/99 increased to Rs. 60.50 million showing 24% increase over the previous year. Dividend income of Rs. 45 million from subsidiary company has been reflected in your Company.

ACKNOWLEDGMENTS

The customers are the central point for our business dealings and we highly appreciate their cooperation. We will continuously strive to give improved services to our valued customers.

We also acknowledge the valuable services of our employees and management who have shown keen commitment in achieving the company's objectives during the year.

We would also like to thank Company's bankers, leasing, insurance companies and shareholders for their continued support.

AUDITORS

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

PATTERN OF SHAREHOLDING

A pattern of shareholding of the Company as at June 30, 1999, is included in this report.

FUTURE OUTLOOK

We are confident that we would be able to maintain Company's share in paper and board industry by extending to our customers quality service and providing them various product alternatives enabling them to compete in a difficult economic era we all are passing. Further, we have plans in hand to cater for the changes in the packaging preferences of our valued customers and we will Insha Allah meet their requirements.

Under changing economic scenario of the country, the Company would therefore greatly emphasize on its internal efficiencies by rationalization of its processes for improving quality, controlling cost and better management of working capital. We have to achieve sustainable performance in future.

On behalf of the Board of Directors

IQBALALI LAKHANI
Chairman

Karachi: October 11, 1999

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **CENTURY PAPER & BOARD MILLS LIMITED** as at June 30, 1999 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, 1999 and of the profit and cash flows for the year then ended; and

(d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

FORD, RHODES, ROBSON, MORROW

BALANCE SHEET AS AT JUNE 30, 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in Thousands)</i>	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets - Tangible			
Operating assets	3	699,069	740,739
Capital work-in-progress	4	37,554	5,698
		-----	-----
		736,623	746,437
Long-term investment	5	100,000	100,000
Long-term loans	6	603	743
Long-term deposits and prepayment	7	8,003	6,496
		-----	-----
		845,229	853,676
CURRENT ASSETS			
Stores and spares	8	101,681	102,559
Stock-in-trade	9	206,949	238,126
Trade debts	10	109,535	95,618
Loans, advances and other receivables	11	18,128	18,171
Deposits and prepayments	12	6,823	5,960
Taxation - net	13	45,118	37,368
Cash and bank balances	14	10,499	18,503
		-----	-----
		498,733	516,305
		-----	-----
TOTAL ASSETS		1,343,962	1,369,981
		=====	=====
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
35,000,000 ordinary shares of Rs.10 each		350,000	350,000
Issued, subscribed and paid-up capital	15	314,213	285,648
Reserves	16	368,487	370,456
		-----	-----
		682,700	656,104
NON-CURRENT LIABILITIES			
Redeemable capital and deferred mark-up	17	62,222	7,686.90
Long-term loan from subsidiary company		--	17,000
Liabilities against assets subject to finance lease	18	52,290	56,991
Deferred liabilities	19	70,004	55,004
		-----	-----
		184,516	205,864
CURRENT LIABILITIES			
Current portion of - redeemable capital	17	62,709	70,758

- liabilities against assets			
- subject to finance lease	18	17,957	14,615
Short-term finances	20	201,883	207,054
Creditors, accrued and other liabilities	21	147,065	215,586
Proposed dividend		47,132	--
		-----	-----
		476,746	508,013
CONTINGENCIES AND COMMITMENTS	22		
		-----	-----
TOTAL EQUITY AND LIABILITIES		1,343,962	1,369,981
		=====	=====

The annexed notes form an integral part of these accounts.

IQBALALI LAKHANI
Chairman

M. RAFI CHAWLA
Chief Executive

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousands)</i>	
Sales	23	1,629,436	1,421,566
Cost of goods sold	24	(1,449,702)	(1,264,238)
		-----	-----
Gross profit		1 79,734	1 57,328
Other income	25	10,790	10,862
Administrative and selling expenses	26	(42,275)	(36,302)
Other charges	27	(8,728)	(5,465)
		-----	-----
Operating profit		139,521	126,423
Financial charges	28	(77,063)	(74,604)
Dividend income from subsidiary company		45,000	25,000
		-----	-----
Profit before taxation		107,458	76,819
Taxation	30	(33,730)	(10,859)
		-----	-----
Profit after taxation		73,728	65,960
Unappropriated profit brought forward		846	886
		-----	-----
Profit available for appropriation		74,574	66,846
Transfer from capital reserve		--	28,565
		-----	-----
		74,574	95,411
Appropriations:			
Proposed dividend Rs. 1.50 (15%) per share (1998: Nil)		(47,132)	--
Transfer to - reserve for issue of bonus shares (1998: 10%)		--	(28,565)

- general reserve		(27,000)	(66,000)
		-----	-----
		(74,132)	(94,565)
		-----	-----
Unappropriated profit carried forward		442	846
		=====	=====
Basic earnings per share	31	2.35	2.10
		=====	=====

The annexed notes form an integral part of these accounts.

IQBALALI LAKHANI
Chairman

M. RAFI CHAWLA
Chief Executive

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousands)</i>	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	32	170,315	90,898
Financial charges paid		(87,604)	(81,729)
Tax paid		(26,480)	(30,063)
Long-term loans		140	201
Long-term deposits and prepayment		(1,507)	(1,633)
		-----	-----
Net cash inflow/(outflow) from operating activities		54,864	(22,326)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(67,666)	(39,391)
Dividend received		45,000	15,000
Proceeds from sale of fixed assets		3,978	5,708
Return on short term investment and deposits received		206	195
		-----	-----
Net cash (outflow) from investing activities		(18,482)	(18,488)
CASH FLOW FROM FINANCING ACTIVITIES			
Redeemable capital		50,000	--
Redemption of redeemable capital		(70,759)	(59,758)
Repayment of Ions-term loans		(17,000)	(4,906)
Obligations under finance lease		16,045	30,435
Repayment of leasing finance		(17,404)	(13,330)
Dividend paid		(97)	(28,595)
		-----	-----
Net cash (outflow) from financing activities		(39,215)	(76,154)
		-----	-----
Net decrease in cash equivalents		(2,833)	(116,968)
Cash and cash equivalents at the beginning of the year		(188,551)	(71,583)
		-----	-----

Cash and cash equivalents at the end of the year	(191,384)	(1,88,551)
	=====	=====
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	10,499	18,503
Short-term finances	(201,883)	(207,054)
	-----	-----
	(191,384)	(188,551)
	=====	=====

The annexed notes form an integral part of these accounts.

IQBALALI LAKHANI
Chairman

M. RAFI CHAWLA
Chief Executive

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1999

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 it 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 3, 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. Exchange gains and losses are included in income currently.

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.

3. OPERATING ASSETS

The following is a statement of operating assets:

	<i>Cost as at July 1, 1998</i>	<i>Additions</i>	<i>Disposals/ Adjustments*</i>	<i>Cost as at June 30, 1999</i>	<i>Accumulated depreciation as at June 30, 1999</i>	<i>Book value as at June 30, 1999</i>	<i>Depreciation charge for the year</i>	<i>Depreciation Rate %</i>
<i>(Rupees in thousands)</i>								
Freehold land (Note 3.1)	34,350	--	(436)	33,914	--	33,914	--	--
Buildings on freehold land	123,431	1,084	(3,104)	121,411	18,692	102,719	3,166	2.50
Plant and machinery (Note 3.2)	822,715	18,471	(111) 15,865*	856,940	380,189	476,751	60,021	5 to 20
Furniture and fixtures	5,605	314	(24)	5,895	3,430	2,465	626	10 to 20
Vehicles	5,380	348	(1,297)	4,431	3,106	1,325	756	20
Office equipment	8,026	1,952	--	9,978	7,013	2,965	1,368	10 to 33
	999,507	22,169	10,893	1,032,569	412,430	620,139	65,937	
Assets held under finance lease								
Plant and machinery	97,353	13,641	(15,865)*	95,129	16,199	78,930	8,341	5 to 20
	1,096,860	35,810	(4,972)	1,127,698	428,629	699,069	74,278	
1998	838,577	263,894	(5,611)	1,096,860	356,121	740,739	69,132	

3.1 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.

3.2 Included in plant and machinery are some items with a cost of Rs. 11 million (W.D.V. Rs. 9.76 million) which have been installed at Century Power Generation Limited, a subsidiary company for the full benefit of the company.

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

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousands)</i>	
Cost of goods sold	71,390	65,951
Administrative and selling expenses	2,888	3,181
	74,278	69,132

3.4 The following assets were disposed off during the year:

<i>Accumulated</i>	<i>Written</i>	<i>Sale</i>	<i>Mode of</i>
--------------------	----------------	-------------	----------------

<i>Description</i>	<i>Cost</i>	<i>Depreciation</i>	<i>Down Value</i>	<i>Proceeds</i>	<i>Disposal</i>	<i>Sold to</i>
<i>(Rupees in thousands)</i>						
Land (Freehold) (Note 3.4.1)	436	--	436	299		
Buildings on free hold land (Note 3.4.1)	3,104	650	2,454	2,486		
Plant and machinery	111	52	59	--	Written off	
Furniture and fixtures	24	14	10	--	Written off	
Vehicle	700	700	--	275	Negotiation	Mr. Muhammad Najam Zia
Vehicles	516	283	233	438	Insurance claim	M/s. Century Insurance Co. Ltd. an associated company
Vehicle	50	43	7	34	Negotiation	Mr. Asif Ayub-an employee
Vehicle	19	17	2	315	Negotiation	Mr. Muhammad Anwar
Vehicle	12	11	1	131	Negotiation	Mr. Muhammad Arshad
	-----	-----	-----	-----		
	4,972	1,770	3,202	3,978		
	=====	=====	=====	=====		
1998	5,611	2,919	2,692	5,708		
	=====	=====	=====	=====		

3.4.1 This reflects compulsory acquisition of land by National Highway Authority and compensation for building and fixtures thereon in connection with the widening of the highway.

4. CAPITAL WORK-IN-PROGRESS

This consists of:

Civil works				7,495	2,142
Plant and machinery, mainly sheet cutter [including in transit of Rs. 17.47 million (1998: Nil)]				25,115	3,397
Advance to suppliers				4,944	159
				-----	-----
				37,554	5,698
				=====	=====

Note **1999** **1998**
(Rupees in thousands)

5. 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% (1998: 86.96%)
Value of investment based on the net assets shown in the audited accounts as at June 30, 1999
Rs. 139.51 million (1998: Rs. 126.91 million)

	100,000	100,000
	=====	=====

6. LONG-TERM LOANS

Unsecured, considered good		
Due from executives	1,096	1,259
Other employees	11	50
	1,107	1,309
Less: Current portion	11	566
	-----	-----
	603	743
	=====	=====
Outstanding for period exceeding three years	160	617
	=====	=====

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. 1.27 million (1998: Rs. 1.32 million). The loans are repayable over a period of five years.

7. LONG-TERM DEPOSITS AND PREPAYMENT

Security deposits	7,963	6,436
Prepayment	40	60
	-----	-----
	8,003	6,496
	=====	=====

8. STORES AND SPARES

Stores	21,993	20,904
Spares		
- In hand	86,101	82,115
- In transit	1,087	4,540
	-----	-----
	87,188	86,655
	-----	-----
	109,181	107,559
Less: Provision for slow moving and obsolete items	7,500	5,000
	-----	-----
	101,681	102,559
	=====	=====

9. STOCK-IN-TRADE

Raw materials		
In hand [in bonded warehouse Rs. 14.76 million (1998: Rs. Nil)]	133,995	189,196
In transit	51,025	17,970
	-----	-----
	185,020	207,166
Work-in-process	11,958	17,707
Finished goods	9,971	13,253
	-----	-----
	206,949	238,126
	=====	=====

10. TRADE DEBTS - UNSECURED

	109,535	95,618
--	---------	--------

Trade debts are considered good and have been arrived at after deducting a general provision for doubtful debts of Rs. 1.50 million (1998: Rs. 0.50 million).

Net amount due from associated undertakings at the end of the year amounted to Rs. 6.17million (1998: Rs. 6.47 million). The maximum amount due from associated undertakings at the end of any month during the year was Rs. 15.25 million (1998: Rs. 8.61 million).

11. LOANS, ADVANCES AND OTHER RECEIVABLES

Loans

Current portion of long-term loans to executives and other employees	6	504	566
--	---	-----	-----

Advances - considered good

to employees		103	185
to suppliers		2,848	4,676
		-----	-----
		2,951	4,861

Other receivables

Dividend receivable from subsidiary company		10,000	10,000
Others		4,673	2,744
		-----	-----
		14,673	12,744
		-----	-----
		18,128	18,171
		=====	=====

12. DEPOSITS AND PREPAYMENTS

Deposits		3,014	4,953
Prepayments		1,110	244
Current account balance with the Central Excise Department		2,699	763
		-----	-----
		6,823	5,960
		=====	=====

13. TAXATION - NET

This includes an amount of Rs. 37.68 million in respect of difference in tax assessed and tax paid upto the assessment year 1998-99.

14. CASH AND BANK BALANCES

At banks	- on current accounts	2,955	4,677
	- on deposit accounts	--	1,195
Cheques in hand		6,423	11,510
Cash in hand		1,121	1,121
		-----	-----
		10,499	18,503
		=====	=====

		283,000	256,000
Unappropriated profit		442	846
		-----	-----
		368,487	370,456
		=====	=====
17. REDEEMABLE CAPITAL AND DEFERRED MARK-UP			
Term finance certificates	1 7.1	3,670	18,351
Long-term finances utilized under mark-up arrangements	1 7.2	121,261	127,339
		-----	-----
		124,931	145,690
Less: Current portion			
Term finance certificates		3,670	14,680
Long-term finances utilized under mark-up arrangements		59,039	56,078
		-----	-----
		62,709	70,758
		-----	-----
		62,222	74,932
Deferred mark-up		--	1,937
		-----	-----
		62,222	76,869
		=====	=====

	<i>1999</i>	<i>1998</i>	<i>Sale Price</i>	<i>Purchase Price</i>	<i>Rate of mark-up per annum</i>	<i>Rate of mark-up on default per annum</i>	<i>Redemption/ Re-payment from</i>	<i>Equal Installments</i>
	<i>(Rupees in thousands)</i>	<i>(Rupees in thousands)</i>	<i>(Rupees in thousands)</i>					

17.1 Term finance certificates

Syndicate of commercial banks led by Habib Bank Limited	3,670	18,351	88,083	181,891	16.24%	--	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.

17.2 Long-term finances utilized under mark-up arrangements

Industrial Development Bank of Pakistan								
Term loan facility	1,812	5,437	29,000	66,183	16%	22%	30-06-1992	16 half yearly
Habib Bank Limited								
Assistance for locally manufactured machinery	782	2,346	12,650	15,219	3%	20%	31-12-1992	15 half yearly

ANZ Grindlays Bank Limited

For Plant and machinery (two tranches)	46,667	75,556	130,000	221,919	16%	20% and waiver of prompt payment rebate Rs. 25.68 million	31-12-1996 and 11-04-1997	9 half yearly
For Plant and machinery	50,000	--	50,000	93,725	16%	25% and waiver of prompt payment rebate Rs. 19.69 million	30-06-2000	9 half yearly
American Express Bank For Plant and machinery	22,000	44,000	55,000	68,750	5% over 3 year F.I.B. with a minimum of 18%	25% and waiver of prompt payment rebate Rs. 7.71 million	21-03-1998	5 half yearly
	----- 121,261 =====	----- 127,339 =====						

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 **1999** **1998**
(Rupees in thousands)

18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

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

Years ending June 30,

1999

--

21,794

2000	31,246	26,811
2001	26,377	21,941
2002	25,111	20,676
2003	15,377	10,799
2004	3,263	--
	-----	-----
	101,374	102,021
Less: Financial charges allocated to future periods	31,127	30,415
	-----	-----
	70,247	71,606
Less: Current portion	17,957	14,615
	-----	-----
	52,290	56,991
	=====	=====

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.

The company intends to exercise its option to purchase the leased plant and machinery for Rs. 6.88 million upon completion of the lease period.

These are secured by demand promissory notes and security deposits.

19. DEFERRED LIABILITIES

Deferred taxation	19.1	56,000	41,000
Deferred liabilities - other	19.2	14,004	14,004
		-----	-----
		70,004	55,004
		=====	=====

19.1 Deferred taxation arising due to timing differences computed under the liability method is estimated at Rs. 82.97 million of which Rs. 2.74 million is credit for the current year (1998: Rs. 80.23 million of which Rs. 3.00 million was credit for the year). The timing differences arising due to accelerated depreciation allowance are not likely to reverse in the foreseeable future. However, in order to comply with the requirements of revised International Accounting Standard 12 which is applicable from accounting period beginning on or after January 1, 2002, the management as a prudence has provided for deferred taxation amounting to Rs. 15 million during the year.

19.2 This is in respect of fixed capacity of sale tax and excise duty referred in note 22.1(b).

20. SHORT-TERM FINANCES

Utilized under mark-up arrangements			
Running finance	20.1	81,883	207,054
Term finance	20.2	120,000	--
		-----	-----
		201,883	207,054
		=====	=====

20.1 The company has aggregate short-term running finance facilities amounting to Rs. 428 million (1998: Rs. 303 million) from commercial banks on mark-up basis. Rates, net of the prompt payment rebate, range from Re. 0.384 to Re. 0.520 per thousand rupees on daily product basis. The purchase prices and mark-up amounts are payable by June 30, 2000.

20.2 Term finances available from commercial banks under mark-up arrangements amounting to Rs. 120 million (1998: Rs. Nil) are repayable by November 1999. The rates of mark up range from Re. 0.315 to Re. 0.370 per thousand rupees on daily product basis.

These 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, 1999 amounted to Rs. 556 million (1998: Rs. 379 million) out of which the amount remaining unutilized at the end of the year was Rs. 500 million (1998: Rs. 163 million).

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousands)</i>	
21. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors	21.1	64,675	59,057
Bills payable		--	92,314
Accrued liabilities		8,001	4,641
Sales tax payable (net)		12,815	6,056
Advances from customers		20,808	11,622
Mark-up accrued on secured: redeemable capital		6,439	20,246
short-term running finances		9,632	7,395
		-----	-----
		16,071	27,641
Mark-up accrued on finance lease		4,141	557
Central excise duty payable		106	670
Other financial charges payable		812	928
Workers' profit participation fund	21.2	5,989	4,229
Workers' welfare fund		2,899	934
Unclaimed dividend		82	179
Other liabilities	21.3	10,666	6,758
		-----	-----
		147,065	215,586
		=====	=====

21.1 Net amount due to associated undertakings at the end of the year aggregated to Rs. 15.46million (1998: Rs.17.46 million).

21.2 Workers' profit participation fund

Balance at the beginning of the year		4,229	4,729
Interest on fund utilised in company's business		227	165
Allocation for the year		5,759	4,091
		-----	-----
		10,215	8,985
Less: Amount paid during the year		4,226	4,756
		-----	-----
Balance at the end of the year		5,989	4,229
		=====	=====

21.3 Included in other liabilities is an amount payable in respect of regulatory duty of Rs. 8.28 million (1998: Rs. 2.73 million).

22. CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

(a) 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.

(b) The company came under the purview of fixed capacity for payment of sales tax and excise duty in May 1992. The company complied fully as per rules and instructions provided and paid sales tax and excise duty on fixed capacity till it was withdrawn in 1994. The company received a show cause notice amounting to Rs. 34.32 million in 1998 plus additional tax and surcharge for non payment of sales tax and excise duty on clearance over and above the fixed capacity during that period. The company defended the show cause successfully and it was vacated by Additional Collector Central Excise Lahore. However the Department has preferred to appeal. The company is confident and expects to get a favourable decision. However, a provision of Rs.14 million has been made against this as referred in note 19.2.

22.2 Commitments

(a) Commitments under letters of credit, contract and guarantees at the end of the year amounted to Rs. 52.85 million (1998: Rs. 42.66 million).

(b) Commitments for capital expenditure including letters of credit amounted to Rs. 29.05 million (1998: Rs. 0.23 million).

(c) Commitments in respect of forward exchange contracts amounted to Rs. 3.22 million (1998: Rs. 81.25 million).

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

Years ending June 30,

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousands)</i>	
1999	--	3,455
2000	4,770	3,014
2001	3,927	2,170
2002	3,046	1,290
2003	2,210	453
2004	818	--
	-----	-----
	14,771	10,382
	=====	=====

1999 *1998*
(Rupees in thousands)

23. SALES

Gross sales	1,857,924	1,599,397
Less: Sales tax	228,488	177,831
	-----	-----
	1,629,436	1,421,566
	=====	=====

24. COST OF GOODS SOLD

Materials consumed	811,202	729,263
Salaries, wages and other benefits	70,091	64,443
Fuel and power	280,779	258,434
Stores and spares consumed	84,614	64,727
Provision for slow moving and obsolete stores and spares	2,500	1,000
Excise duty	77,740	67,613
Insurance	7,063	6,547
Repairs and maintenance	11,331	9,914
Lease rentals	1,686	783
Packing expenses	20,044	14,845
Depreciation	71,390	65,951
Postage and telephone	1,120	993
Travelling and conveyance	291	1,104
Other expenses	820	516
Insurance claim on consequential loss policy	--	(4,579)
	-----	-----
	1,440,671	1,281,554
Opening work-in-process	17,707	11,211
Closing work-in-process	(11,958)	(1 7,707)
	-----	-----
	5,749	(6,496)
	-----	-----
Cost of goods manufactured	1,446,420	1,275,058
Opening stock of finished goods	13,253	2,433
Closing stock of finished goods	(9,971)	(13,253)
	-----	-----
	3,282	(10,820)
	-----	-----
	1,449,702	1,264,238
	=====	=====

25. OTHER INCOME

Sale of scrap	6,779	4,514
Insurance agency commission	2,137	2,096
Profit on sale of fixed assets (net)	776	3,016
Management fee from subsidiary company	480	480
Return on short-term investment and deposits	66	335
Rent	368	368
Miscellaneous	184	53
	-----	-----
	10,790	10,862

<i>Note</i>	1999	1998
	<i>(Rupees in thousands)</i>	
26. ADMINISTRATIVE AND SELLING EXPENSES		
Salaries, wages and other benefits	24,808	21,215
Insurance	1,991	1,658
Repairs and maintenance	1,432	1,718
Lease rentals	1,968	1,213
Electricity charges	757	550
Provision for doubtful debts	1,000	--
Depreciation	2,888	3,181
Fees and subscription	442	364
Advertisement	549	127
Travelling and conveyance	1,211	1,675
Rent, rates and taxes	2,428	2,175
Printing, stationery and periodicals	734	642
Postage and telephone	2,061	1,777
Other expenses	6	7
	-----	-----
	42,275	36,302
	=====	=====
27. OTHER CHARGES		
Legal and professional charges	849	284
Auditors' remuneration		
Audit fee	125	125
Other services	14	33
Out of pocket expenses	11	11
	-----	-----
	150	169
Workers' profit participation fund	5,759	4,091
Workers' welfare fund	1,965	916
Donations	5	5
27.1	-----	-----
	8,728	5,465
	=====	=====

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

28. FINANCIAL CHARGES

Mark-up on redeemable capital	20,081	31,825
Mark-up/Interest on:		
Long-term foreign currency loans	--	117
Loan from subsidiary company	2,282	3,485
Short-term finances	37,944	22,345
Finance lease obligations	12,795	9,731
Workers' profit participation fund	227	165
Suppliers' credit	167	4,616
	-----	-----

	53,415	40,459
Central excise duty	30	34
Other loan receiving charges	641	775
Bank charges and commission	693	626
Loss on exchange (net)	2,203	885
	-----	-----
	77,063	74,604
	=====	=====

Note **1999** **1998**
(Rupees in thousands)

29. GRATUITY

The liability for gratuity not provided in these accounts amounts to Rs. 0.77 million (1998: Rs. 0.66 million) (Note 2.3).

30. TAXATION

Current - for the year	18,885	8,100
- for the prior years	(155)	2,759
	-----	-----
	18,730	10,859
Deferred (Note 19.1)	15,000	--
	-----	-----
	33,730	10,859
	=====	=====

31. BASIC EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share of the company, which is based on:

Profit after taxation	73,728	65,960
	=====	=====
Weighted average number of ordinary shares (in thousands)	31,421	31,421
	=====	=====
Basic earnings per share (rupees)	2.35	2.10
	=====	=====

32. CASH GENERATED FROM OPERATIONS

Profit before taxation	107,458	76,819
Adjustment for non-cash charges and other items:		
Depreciation	74,278	69,132
Gain on sale of fixed assets	(776)	(3,016)
Dividend income	(45,000)	(25,000)
Return on short-term investment and deposits	(66)	(335)
Financial charges	77,063	74,604
Working capital changes	32.1	(42,642)
	-----	-----
	170,315	90,898
	=====	=====

32.1 Working capital changes

(Increase)/decrease in current assets:

Stores and spares	878	(38,900)
-------------------	-----	----------

Stock-in-trade	31,177	(148,711)
Trade debts	(13,917)	(27,576)
Loans, advances and other receivables (excluding dividend income)	(97)	(3,006)
Deposits and prepayments	(863)	(3,103)
	-----	-----
	17,178	(221,296)
(Decrease)/increase in current liabilities:		
Creditors, accrued and other liabilities (excluding unclaimed dividend)	(59,820)	119,990
	-----	-----
	(42,642)	(101,306)
	=====	=====

33. 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:

	<i>1999</i>			<i>1998</i>		
	<i>Chief Executive</i>	<i>Executives</i>	<i>Total</i>	<i>Chief Executive</i>	<i>Executives</i>	<i>Total</i>
	<i>(Rupees in thousands)</i>					
Managerial remuneration	714	11,441	12,155	611	9,079	9,690
House rent	291	4,648	4,939	249	3,685	3,934
Bonus	108	1,718	1,826	92	1,363	1,455
Provident fund	58	934	992	50	741	791
	-----	-----	-----	-----	-----	-----
Total	1,171	18,741	19,912	1,002	14,868	15,870
	=====	=====	=====	=====	=====	=====
Number of persons	1	56	57	1	44	45
	=====	=====	=====	=====	=====	=====

Aggregate amount charged in these accounts in respect of director's fee is Rs. 1,000 (1998: Rs. 1,000).

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

1999 *1998*
(Rupees in thousands)

34. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Sales of goods and services	134,555	188,398
Purchases of goods and services	199,218	182,552
Rent and other allied charges	2,406	2,209
Interest on loan from subsidiary company	2,282	3,485
Insurance agency commission	2,137	2,096
Dividend income	45,000	25,000
Repayment of loan to subsidiary company	17,000	--

The transactions with the associated undertakings are in the normal course of business at contracted rates

and terms determined in accordance with market rates.

35. CAPACITY AND PRODUCTION - TONNES

	<i>1999</i>		<i>1998</i>	
	<i>Capacity annual on three shifts</i>	<i>Actual Production</i>	<i>Capacity annual on three shifts</i>	<i>Actual Production</i>
Paper and Board	60,000	58,545	50,000	51,145

36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Concentration of credit risks

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparts failed completely to perform as contracted. The company does not have significant exposure to any individual customer. To reduce exposure to credit risk the company applies credit limits to its customers.

Interest rate risk

Interest rate risks arises from the possibility that changes in interest rates will affect the value of financial instruments. The company is not materially exposed to interest rate risk except in respect of redeemable capital and liabilities against assets subject to finance lease which are at fixed interest rates. The interest rates and maturities of these items are disclosed in notes 17 and 18 respectively.

Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. In appropriate cases, the management takes out forward contracts to mitigate the risk.

Fair values of financial instruments

The carrying values of all the financial instruments reported in the financial statements approximate their fair value.

37. GENERAL

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

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

IQBALALI LAKHANI
Chairman

M. RAFI CHAWLA
Chief Executive

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

1999

(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, 1999.

(i) for the financial year of the subsidiary; Rs. 12.61 million

(ii) for the previous years of the subsidiary since it became the holding company's subsidiary; Rs. 26.90 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, 1999.

(i) for the financial year of the subsidiary; Rs. 45.00 million

(ii) for the previous years of the subsidiary since it became the holding company's subsidiary. Rs. 35.00 million

IQBALALI LAKHANI
Chairman

M. RAFI CHAWLA
Chief Executive

PATTERN OF HOLDING OF SHARES HELD BY THE SHAREHOLDERS AS AT JUNE 30, 1999

<i>NO. OF SHARE HOLDERS</i>	<i>SHAREHOLDING</i>			<i>TOTAL SHARES HELD</i>
	<i>FROM</i>	<i>TO</i>		
56	1	100	Shares	2,532
125	101	500	Shares	29,732
174	501	1,000	Shares	134,666
222	1,001	5,000	Shares	503,396
40	5,001	10,000	Shares	272,554
24	10,001	15,000	Shares	289,265
9	15,001	20,000	Shares	157,051
9	20,001	25,000	Shares	210,426
5	25,001	30,000	Shares	133,274
5	30,001	35,000	Shares	161,985
6	35,001	40,000	Shares	221,101
1	40,001	45,000	Shares	41,182
1	45,001	50,000	Shares	45,496
2	50,001	55,000	Shares	108,900

1	55,001	60,000	Shares	56,567
2	60,001	65,000	Shares	127,515
1	65,001	70,000	Shares	69,454
1	75,001	80,000	Shares	78,650
2	85,001	90,000	Shares	167,849
2	95,001	100,000	Shares	193,877
1	100,001	105,000	Shares	101,745
1	110,001	115,000	Shares	110,106
1	120,001	125,000	Shares	121,000
2	135,001	140,000	Shares	273,905
1	145,001	150,000	Shares	148,500
1	150,001	155,000	Shares	154,275
3	190,001	195,000	Shares	580,800
1	200,001	205,000	Shares	200,420
1	220,001	225,000	Shares	220,723
1	240,001	245,000	Shares	241,450
1	485,001	490,000	Shares	490,000
1	635,001	640,000	Shares	637,400
1	1,060,001	1,065,000	Shares	1,060,153
1	1,165,001	1,170,000	Shares	1,165,450
1	1,220,001	1,225,000	Shares	1,221,440
1	1,300,001	1,305,000	Shares	1,308,430
1	1,315,001	1,320,000	Shares	1,320,000
1	1,700,001	1,705,000	Shares	1,703,837
1	2,545,001	2,550,000	Shares	2,548,917
1	3,850,001	3,855,000	Shares	3,851,768
1	4,655,001	4,660,000	Shares	4,655,769
1	6,295,001	6,300,000	Shares	6,299,720

713
=====

TOTALS

31,421,280
=====

***CATEGORIES OF
SHAREHOLDERS***

NUMBER SHARES HELD PERCENTAGE

Individuals	673	4,682,373	14.90
Investment companies	10	5,742,594	18.28
Insurance companies	2	1,101,335	3.50
Joint stock companies	12	13,469,959	42.87
Financial institutions	3	4,656,180	14.82
Modaraba companies	11	548,939	1.75
Banks	2	1,219,900	3.88

713
=====

31,421,280
=====

100.00
=====

IQBALALI LAKHANI
Chairman

M. RAFI CHAWLA
Chief Executive

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 1999

Century Paper & Board Mills Limited and Subsidiary Company

AUDITORS' REPORT TO THE MEMBERS

We have examined the annexed consolidated financial statements comprising the consolidated balance sheet of Century Paper & Board Mills Limited and its subsidiary company as at June 30, 1999 and the related consolidated profit and loss account and consolidated cash flow statement together with the notes forming part thereof, for the year ended June 30, 1999. We have also expressed a separate opinion on the financial statements of Century Paper & Board Mills Limited. The financial statements of the subsidiary company were audited by another firm of Chartered Accountants, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for the subsidiary company, is based solely on the report of such other auditor. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our examination.

Our examination was made in accordance with International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the consolidated financial statements examined by us present fairly the financial position of Century Paper & Board Mills Limited and its subsidiary company as at June 30, 1999 and the results of their operations for the year then ended.

Karachi: October 11, 1999

FORD, RHODES, ROBSON, MORROW
Chartered Accountants

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
<i>(Rupees in thousands)</i>			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets - Tangible			
Operating assets	3	890,233	948,376
Capital work-in-progress	4	37,554	5,698
		-----	-----
		927,787	954,074
Long-term loans	5	603	743
Long-term deposits, prepayment and deferred costs	6	13,440	11,541
		-----	-----
		941,830	966,358

CURRENT ASSETS

Stores and spares		118,133	117,638
Stock-in-trade		211,588	242,543
Trade debts		113,789	99,597
Loans, advances and other receivables		12,666	8,488
Deposits and prepayments		6,852	5,960
Taxation - net		45,204	37,428
Short-term investment - certificates of investment		7,000	--
Cash and bank balances		12,111	25,517
		-----	-----
		527,343	537,171
		-----	-----
TOTAL ASSETS		1,469,173	1,503,529
		=====	=====

EQUITY AND LIABILITIES

SHARE CAPITAL AND RESERVES

Authorized capital			
35,000,000 ordinary shares of Rs.10 each		350,000	350,000
		=====	=====
Issued, subscribed and paid-up capital	14	314,213	285,648
Reserves	15	407,997	402,358
		-----	-----
		722,210	688,006
MINORITY INTEREST		22,421	21,283

NON-CURRENT LIABILITIES

Redeemable capital and deferred mark-up		87,222	126,869
Liabilities against assets subject to finance lease		60,025	77,361
Deferred liabilities		70,004	55,004
		-----	-----
		217,251	259,234

CURRENT LIABILITIES

Current portion of - redeemable capital	16	87,709	95,758
- liabilities against assets			
subject to finance lease	17	30,591	25,476
Short-term finances	19	201,883	207,054
Creditors, accrued and other liabilities	20	139,976	206,718
Proposed dividend		47,132	--
		-----	-----
		507,291	535,006

CONTINGENCIES AND COMMITMENTS

TOTAL EQUITY AND LIABILITIES	21	-----	-----
		1,469,173	1,503,529
		=====	=====

The annexed notes form an integral part of these accounts.

IQBALALI LAKHANI
Chairman

M. RAFI CHAWLA
Chief Executive

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1999**

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousands)</i>	
Sales	22	1,672,642	1,464,081
Cost of goods sold	23	(1,412,973)	(1,235,289)
		-----	-----
Gross profit		259,669	228,792
Other income	24	11,401	11,338
Administrative and selling expenses	25	(43,150)	(37,113)
Other charges	26	(12,137)	(8,192)
		-----	-----
Operating profit		215,783	194,825
Financial charges	27	(91,139)	(93,877)
		-----	-----
Profit before taxation		124,644	100,948
Taxation	29	(35,419)	(11,003)
		-----	-----
Profit after taxation		89,225	89,945
Minority interest		(7,889)	(6,388)
Unappropriated profit brought forward		6,660	6,495
		-----	-----
Profit available for appropriation		87,996	90,052
Transfer from capital reserve		--	28,565
		-----	-----
		87,996	118,617
Appropriations:			
Proposed dividend Rs. 1.50 (15%) per share (1998: Nil)		(47,132)	--
Transfer to - reserve for issue of bonus shares (1998: 10%)		--	(28,565)
- general reserve		(40,044)	(83,392)
		-----	-----
		(87,176)	(111,957)
		-----	-----
Unappropriated profit carried forward		820	6,660
		=====	=====
Basic earnings per share	30	2.84	2.86
		=====	=====

The annexed notes form an integral part of these accounts.

IQBALALI LAKHANI
Chairman

M. RAFI CHAWLA
Chief Executive

CONSOLIDATED CASH FLOW STATEMENT FOR

THE YEAR ENDED JUNE 30, 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousands)</i>	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	31	260,429	160,678
Financial charges paid		(102,268)	(101,309)
Tax paid		(28,195)	(30,152)
Long-term loans		140	201
Long-term deposits, prepayment and deferred costs		(1,996)	(2,156)
		-----	-----
Net cash inflow from operating activities		128,110	27,262
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(68,702)	(40,856)
Proceeds from sale of fixed assets		3,978	5,708
Re. turn on short term investment and deposits received		206	195
		-----	-----
Net cash (outflow) from investing activities		(64,518)	(34,953)
CASH FLOW FROM FINANCING ACTIVITIES			
Redeemable capital		50,000	--
Redemption of redeemable capital		(95,759)	(84,758)
Repayment of long-term loans		--	(4,906)
Obligations under finance lease		16,045	31,485
Repayment of leasing finance		(28,266)	(1 8,149)
Dividend paid		(6,847)	(30,845)
		-----	-----
Net cash (outflow) from financing activities		(64,827)	(107,173)
		-----	-----
Net decrease in cash equivalents		(1,235)	(114,864)
Cash and cash equivalents at the beginning of the year		(181,537)	(66,673)
		-----	-----
Cash and cash equivalents at the end of the year		(182,772)	(181,537)
		=====	=====
CASH AND CASH EQUIVALENTS COMPRISE:			
Short-term investment		7,000	--
Cash and bank balances		12,111	25,517
Short-term finances		(201,883)	(207,054)
		-----	-----
		(182,772)	(181,537)
		=====	=====

The annexed notes form an integral part of these accounts.

IQBALALI LAKHANI
Chairman

M. RAFI CHAWLA
Chief Executive

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 1999

1. THE GROUP AND ITS OPERATIONS

Century Paper & Board Mills Limited and its subsidiary company, Century Power Generation Limited are incorporated in Pakistan as public limited companies. The parent company, Century Paper & Board Mills Limited is quoted on the stock exchanges of Pakistan and its principal business is the production and sale of paper and board of several varieties. The subsidiary company, Century Power Generation Limited, is unquoted and its principal business is the generation and sale of electric power. The power project is located at District Kasur, Punjab.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of consolidation

The consolidated financial statements include the accounts of Century Paper & Board Mills Limited and its subsidiary company, Century Power Generation Limited. Investment in the subsidiary company represents ownership interest of 86.96%. Material inter-company transactions are eliminated.

2.2 Accounting convention

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

2.3 Taxation

Current

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

The profits of the subsidiary company are exempt from tax under Clause 1 76 of the Second Schedule to the Income Tax Ordinance, 1979.

Deferred

The parent 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.

2.4 Staff retirement benefits

The group contributes to provident fund schemes established since July 1, 1986 which cover all permanent employees. Equal contributions are made by the group and the employees.

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

2.5 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 3, 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.

2.6 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.

2.7 Deferred costs

These are amortized over a maximum period of five years.

2.8 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.

2.9 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.

2.10 Trade debts

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

2.1.1 Short-term investments

These are stated at lower of cost and market value.

2.12 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. Exchange gains and losses are included in income currently.

2.13 Revenue recognition

Sales of the parent company are recorded on despatch of goods to customers. Energy sales of the subsidiary company are recognized on the basis of meter reading recorded on continuous monthly basis. Profit on deposit is recognized on time proportion basis and income on short-term investment is recognized on accrual basis.

3. OPERATING ASSETS

The following is a statement of operating assets:

<i>Cost as at</i>	<i>Cost as at</i>	<i>Accumulated depreciation as at</i>	<i>Book value as at</i>	<i>Depreciation</i>	<i>Depreciation</i>
-------------------	-------------------	---	---------------------------------	---------------------	---------------------

<i>Description</i>	<i>July 1, 1998</i>	<i>Additions</i>	<i>Disposals/ Adjustments &</i>	<i>June 30, 1999</i>	<i>June 30, 1999</i>	<i>June 30, 1999</i>	<i>charge for the year</i>	<i>Rate %</i>
<i>(Rupees in thousands)</i>								
Freehold land	34,350	--	(436)	33,914	--	33,914	--	--
Buildings on freehold land	142,697	1,113	(3,104)	140,706	21,785	118,921	4,130	2.5 to 5
Plant and machinery	1,015,291	18,529	(111) 15,865 *	1,049,574	427,145	622,429	74,085	5 to 20
Furniture and fixtures	6,038	320	(24)	6,334	3,640	2,694	680	10 to 20
Vehicles	5,380	348	(1,297)	4,431	3,106	1,325	756	20
Office equipment	8,210	2,016	--	10,226	7,171	3,055	1,391	10 to 33
	-----	-----	-----	-----	-----	-----	-----	
Spares held for capital expenditure	1,211,966	22,326	10,893	1,245,185	462,847	782,338	81,042	
	-----	-----	-----	-----	-----	-----	-----	
	--	878	--	878	--	878	--	
	-----	-----	-----	-----	-----	-----	-----	
	1,211,966	23,204	10,893	1,246,063	462,847	783,216	81,042	
Assets held under finance lease								
Plant and machinery	133,403	13,641	(15,865)*	131,179	24,162	107,017	10,744	5 to 20
	-----	-----	-----	-----	-----	-----	-----	
	1,345,369	36,845	(4,972)	1,377,242	487,009	890,233	91,786	
	=====	=====	=====	=====	=====	=====	=====	
1998	1,085,621	265,359	(5,611)	1,345,369	396,993	948,376	86,579	
	=====	=====	=====	=====	=====	=====	=====	

1999 **1998**
(Rupees in thousands)

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

Cost of goods sold	88,821	83,306
Administrative and selling expenses	2,965	3,273
	-----	-----
	91,786	86,579
	=====	=====

3.2 The following assets were disposed off during the year:

<i>Description</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Written Down Value</i>	<i>Sale Proceeds</i>	<i>Mode of Disposal</i>	<i>Sold to</i>
--------------------	-------------	-------------------------------------	-------------------------------	--------------------------	-----------------------------	----------------

(Rupees in thousands)

Land (Freehold) (Note 3.2.1)	436	--	436	299		
Building on free hold land (Note 3:2.1)	3,104	650	2,454	2,486		

Plant and machinery	111	52	59	--	Written off	
Furniture and fixtures	24	14	10	--	Written off	
Vehicle	700	700	--	275	Negotiation	Mr. Muhammad Najam Zia
Vehicles	516	283	233	438	Insurance claim	M/s. Century Insurance Co. Ltd. an associated company
Vehicle	50	43	7	34	Negotiation	Mr. Asif Ayub-an employee
Vehicle	19	17	2	315	Negotiation	Mr. Muhammad Anwar
Vehicle	12	11	1	131	Negotiation	Mr. Muhammad Arshad
	-----	-----	-----	-----		
	4,972	1,770	3,202	3,978		
	=====	=====	=====	=====		
1998	5,611	2,919	2,692	5,708		
	=====	=====	=====	=====		

3.2.1 This reflects compulsory acquisition of land by National Highway Authority and compensation for building and fixtures thereon in connection with the widening of the highway.

Note **1999** **1998**
(Rupees in thousands)

4. CAPITAL WORK-IN-PROGRESS

This consists of:

Civil works		7,495	2,142
Plant and machinery, mainly sheet cutter [including in transit of Rs. 17.47 million (1998: Nil)]		25,115	3,397
Advance to suppliers		4,944	159
		-----	-----
		37,554	5,698
		=====	=====

5. LONG-TERM LOANS

Unsecured, considered good

Due from executives		1,096	1,259
Other employees		11	50
		-----	-----
		1,107	1,309
Less: Current portion	10	504	566
		-----	-----
		603	743
		=====	=====
Outstanding for period exceeding three years		160	617
		=====	=====

Loans are granted principally for purchase of motor vehicles to employees of the parent 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. 1.27 million (1998: Rs. 1.32 million). The loans are repayable over a period of five years.

6. LONG-TERM DEPOSITS, PREPAYMENT AND DEFERRED COSTS

Security deposits	13,231	11,215
Prepayment	40	60
Deferred costs		
Opening balance	266	363
Less: Amortized during the year	97	97
	-----	-----
	169	266
	-----	-----
	13,440	11,541
	=====	=====

7. STORES AND SPARES

Stores	22,799	21,513
Spares		
-In hand	101,592	96,535
-In transit	1,242	4,590
	-----	-----
	102,834	101,125
	-----	-----
	125,633	122,638
Less: Provision for slow moving and obsolete items	7,500	5,000
	-----	-----
	118,133	117,638
	=====	=====

Note **1999** **1998**
(Rupees in thousands)

8. STOCK-IN-TRADE

Raw materials		
In hand [in bonded warehouse Rs. 14.76 million (1998: Rs. Nil)]	138,634	193,613
In transit	51,025	17,970
	-----	-----
	189,659	211,583
Work-in-process	11,958	17,707
Finished goods	9,971	13,253
	-----	-----
	211,588	242,543
	=====	=====
9. TRADE DEBTS - UNSECURED	113,789	99,597
	=====	=====

Trade debts are considered good and have been arrived at after deducting a general provision for doubtful debts of Rs. 1.50 million (1998: Rs. 0.50 million).

Net amount due from associated undertakings at the end of the year amounted to Rs. 9.55 million (1 998: Rs. 9.97 million). The maximum amount due from associated undertakings at the end of any

month during the year was Rs. 16.83 million (1998: Rs. 11.51 million).

10. LOANS, ADVANCES AND OTHER RECEIVABLES

Loans

Current portion of long-term loans to executives and other employees

	5	504	566
--	---	-----	-----

Advances - considered good

to employees

to suppliers

	103	185
	7,074	4,888

Other receivables

	7,177	5,073
	4,985	2,849

	12,666	8,488
	=====	=====

11. DEPOSITS AND PREPAYMENTS

Deposits

Prepayments

Current account balance with the Central Excise Department

	3,043	4,953
--	-------	-------

	1,110	244
--	-------	-----

	2,699	763
--	-------	-----

	6,852	5,960
	=====	=====

12. TAXATION - NET

This includes an amount of Rs. 37.68 million in respect of difference in tax assessed and tax paid upto the assessment year 1998-99.

13. CASH AND BANK BALANCES

At banks - on current accounts

on deposit accounts

Cheques in hand

Cash in hand

	4,340	6,844
--	-------	-------

	197	6,012
--	-----	-------

	6,423	11,510
--	-------	--------

	1,151	1,151
--	-------	-------

	12,111	25,517
	=====	=====

Cash at banks on current account of parent company includes US\$ 17,000 (1998:US\$ 11,000) held in foreign currency accounts.

14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

<i>Ordinary shares of Rs. 10 each fully paid in cash</i>	<i>Ordinary shares of Rs. 10 each issued as fully paid bonus shares</i>	<i>Total</i>	<i>1999</i>	<i>1998</i>
--	---	--------------	-------------	-------------

Number of shares	24,345,000	7,076,280	31,421,280	28,564,800
------------------	------------	-----------	------------	------------

(Rupees in thousands)

Balance as at July 1	243,450	42,198	285,648	285,648
Bonus shares issued during the year	--	28,565	28,565	--
	-----	-----	-----	-----
	243,450	70,763	314,213	285,648
	=====	=====	=====	=====

Note **1998** **1999**
(Rupees in thousands)

15. RESERVES

Movement in and composition of reserves is as follows:

Capital reserve				
Share premium account			85,045	113,610
Less: Transfer to profit and loss appropriation account for issue of bonus shares			--	28,565
			-----	-----
			85,045	85,045
Reserve for issue of bonus shares				
At the beginning of the year			28,565	--
Transfer from profit and loss account			--	28,565
Amount utilized for issue of bonus shares			28,565	--
			-----	-----
			--	28,565
			-----	-----
			85,045	113,610
Revenue reserve				
General reserve				
At the beginning of the year			282,088	198,696
Transfer from profit and loss account			40,044	83,392
			-----	-----
			322,132	282,088
Unappropriated profit			820	6,660
			-----	-----
			407,997	402,358
			=====	=====

16. REDEEMABLE CAPITAL AND DEFERRED MARK-UP

Term finance certificates	16.1	3,670	18,351
Long-term finances utilized under mark-up arrangements	16.2	171,261	202,339

		174,931	220,690
Less: Current portion			
Term finance certificates		3,670	14,680
Long-term finances utilized under mark-up arrangements		84,039	81,078

87,709	95,758
87,222	124,932
--	1,937
87,222	126,869

Deferred mark-up

	<i>1999</i>	<i>1998</i>	<i>Sale Price</i>	<i>Purchase Price</i>	<i>Rate of mark-up per annum</i>	<i>Rate of mark-up on default per annum</i>	<i>Redemption/ Re-payment from</i>	<i>Equal Installments</i>
	<i>(Rupees in thousands)</i>		<i>(Rupees in thousands)</i>					

16.1 Term finance certificates

Syndicate of commercial banks led by Habib Bank Limited

3,670	18,351	88,083	181,891	16.24%	--	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 parent company ranking pari-passu with charges already created.

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

16.2 Long-term finances utilized under mark-up arrangements

Industrial Development Bank of Pakistan

Term loan facility Habib Bank Limited	1,812	5,437	29,000	66,183	16%	22%	30-06-1992	16 half yearly
Assistance for locally manufactured machinery	782	2,346	12,650	15,219	3%	20%	31-12-1992	15 half yearly

ANZ Grindlays Bank Limited

For Plant and machinery (two tranches)	46,667	75,556	130,000	221,919	16%	20% and waiver of prompt payment rebate Rs. 25.68 million	31-12-1996 and 11-04-1997	9 half yearly
For Plant and machinery	50,000	--	50,000	93,725	16%	25% and waiver of prompt	30-06-2000	9 half yearly

						payment rebate Rs. 19.69 million		
For Plant and machinery	50,000	75,000	100,000	169,000	3% over a cut off yield of the last auction of T-Bill subject to minimum rate of 16% per annum	25%	25-12-1997	8 half yearly
American Express Bank								
For Plant and machinery	22,000	44,000	55,000	68,750	5% over 3 year F.I.B. with a minimum of 18%	25% and waiver of prompt payment rebate Rs. 7.71 million	21-3-1998	5 half yearly
	----- 171,261 =====	----- 202,339 =====						

All long-term finances utilised under mark-up arrangements are secured by way of hypothecation of the group's plant and machinery, equitable mortgage on present and future movable and immovable properties and other assets of the group 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 respect of Ions-term finances utilised under mark-up arrangements is required prior to declaration and payment of dividend or issue of bonus shares by the group.

Note **1999** **1998**
(Rupees in thousands)

17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

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

Years ending June 30,

1999	--	37,165
2000	46,617	42,182
2001	34,216	29,780
2002	25,418	20,983
2003	15,660	11,082
2004	3,263	--
	-----	-----
	141,192	125,174
Less: Financial charges allocated to future periods	38,355	34,558
	-----	-----

	102,837	90,616
Less: Current portion	25,476	30,591
	-----	-----
	60,025	77,361
	=====	=====

These represent finance leases entered into with leasing companies for plant and machinery. Rates of financial charges ranging from 16.75% to 22% per annum are used as discounting factors.

The company intends to exercise its option to purchase the leased plant and machinery for Rs. 10.43 million upon completion of the lease period.

These are secured by demand promissory notes and security deposits.

18. DEFERRED LIABILITIES

Deferred taxation	18.1	56,000	41,000
Deferred liabilities - other	18.2	14,004	14,004
		-----	-----
		70,004	55,004
		=====	=====

18.1 Deferred taxation arising due to timing differences computed under the liability method is estimated at Rs. 82.97 million of which Rs. 2.74 million is credit for the current year (1998: Rs. 80.23 million of which Rs. 3.00 million was credit for the year). The timing differences arising due to accelerated depreciation allowance are not likely to reverse in the foreseeable future. However, in order to comply with the requirements of revised International Accounting Standard 12 which is applicable from accounting period beginning on or after January 1, 2002, the management as a prudence has provided for deferred taxation amounting to Rs. 15 million during the year.

18.2 This is in respect of fixed capacity of sale tax and excise duty referred in note 21.1 (b).

Note *1999* *1998*
(Rupees in thousands)

19. SHORT-TERM FINANCES

Utilized under mark-up arrangements-secured

Running finance	19.1	81,883	207,054
Term finance	19.2	120,000	--
		-----	-----
		201,883	207,054
		=====	=====

19.1 The group has aggregate short-term running finance facilities amounting to Rs. 448 million (1998: Rs. 323 million) from commercial banks on mark-up basis. Rates, net of the prompt payment rebate, range from Re. 0.384 to Re. 0.520 per thousand rupees on daily product basis. The purchase prices and mark-up amounts are payable by June 30, 2000.

19.2 Term finances available from commercial banks under mark-up arrangements amounting to Rs. 120 million (1998: Rs. Nil) are repayable by November 1999. The rates of mark up range from Re. 0.315 to Re.0.370 per thousand rupees on daily product basis.

These arrangements are secured by way of pari-passu hypothecation charge created on plant & machinery, stock-in-trade and book debts of the company.

The facilities for opening of letters of credit and guarantees as at June 30, 1999 amounted to Rs. 571 million (1998: Rs. 389 million) out of which the amount remaining unutilized at the end of the year was Rs. 515 million (1998: Rs. 173 million).

20. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	20.1	51,072	43,745
Bills payable		--	92,314
Accrued liabilities		8,058	4,689
Sales tax payable (net)		12,815	6,056
Advances from customers		21,588	12,402
Mark-up accrued on secured: redeemable capital		7,059	20,567
short-term running finances		9,685	7,477
		-----	-----
		16,744	28,044
Mark-up accrued on finance lease		5,680	2,938
Central excise duty payable		222	786
Other financial charges payable		812	928
Workers' profit participation fund	20.2	9,304	6,873
Workers' welfare fund		2,899	934
Unclaimed dividend		82	179
Other liabilities	20.3	10,700	6,830
		-----	-----
		139,976	206,718
		=====	=====

20.1 Net amount due to associated undertakings at the end of the year aggregated to Rs. 1.07 million (1998:Rs.1.13 million).

20.2 Workers' profit participation fund

Balance at the beginning of the year		6,873	5,897
Interest on fund utilised in company's business		269	223
Allocation for the year		9,032	6,677
		-----	-----
		16,174	12,797
Less: Amount paid during the year		6,870	5,924
		-----	-----
Balance at the end of the year		9,304	6,873
		=====	=====

20.3 Included in other liabilities is an amount payable by parent company in respect of regulatory duty of Rs. 8.28 million (1998: Rs. 2.73 million).

21. CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

(a) The parent 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 group strongly considers that on the merits of the case, it would get a favourable decision and accordingly no provision has been made in these accounts.

(b) The parent company came under the purview of fixed capacity for payment of sales tax and excise duty in May 1992. The company complied fully as per rules and instructions provided and paid sales tax and excise duty on fixed capacity till it was withdrawn in 1994. The company received a show cause notice amounting to Rs. 34.32 million in 1998 plus additional tax and surcharge for non payment of sales tax and excise duty on clearance over and above the fixed capacity during that period. The company defended the show cause successfully and it was vacated by Additional Collector Central Excise Lahore. However, the Department has preferred to appeal. The group is confident and expects to get a favourable decision. However, a provision of Rs.14 million has been made against this as referred in note 18.2.

21.2 Commitments

(a) Commitments under letters of credit, contract and guarantees at the end of the year amounted to Rs. 52.95 million (1998: Rs. 42.66 million).

(b) Commitments for capital expenditure including letters of credit amounted to Rs. 29.05 million (1998:0.23 million).

(c) Commitments in respect of forward exchange contracts amounted to Rs. 3.22 million (1998: Rs. 81.25 million).

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

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousands)</i>	
Years ending June 30,		
1999	--	3,731
2000	4,833	3,077
2001	3,927	2,170
2002	3,046	1,290
2003	2,210	453
2004	818	--
	-----	-----
	14,834	10,721
	=====	=====
22. SALES		
Gross sales	1,901,130	1,641,912
Less: Sales tax	228,488	177,831
	-----	-----
	1,672,642	1,464,081
	=====	=====
	<i>1999</i>	<i>1998</i>

*(Rupees in thousands)***23. COST OF GOODS SOLD**

Materials consumed	902,599	829,491
Salaries, wages and other benefits	74,172	68,257
Fuel and power	100,760	94,488
Stores and spares consumed	108,478	71,971
Provision for slow moving and obsolete stores and spares	2,500	1,000
Excise duty	77,740	67,613
Electricity duty	1,286	1,244
Insurance	9,461	8,937
Repairs and maintenance	13,877	12,335
Lease rentals	1,950	1,071
Packing expenses	20,044	14,845
Depreciation	88,821	83,306
Postage and telephone	1,120	993
Travelling and conveyance	291	1,104
Rent, rates and taxes	18	13
Other expenses	825	516
Insurance claim on consequential loss policy	--	(4,579)
	-----	-----
	1,403,942	1,252,605
	-----	-----
Opening work-in-process	17,707	11,211
Closing work-in-process	(11,958)	(1 7,707)
	-----	-----
	5,749	(6,496)
	-----	-----
Cost of goods manufactured	1,409,691	1,246,109
	-----	-----
Opening stock of finished goods	13,253	2,433
Closing stock of finished goods	(9,971)	(13,253)
	-----	-----
	3,282	(10,820)
	-----	-----
	1,412,973	1,235,289
	=====	=====

24. OTHER INCOME

Sale of scrap	7,503	4,994
Insurance agency commission	2,525	2,488
Profit on sale of fixed assets (net)	776	3,016
Return on short-term investment and deposits	405	779
Rent	8	8
Miscellaneous	184	53
	-----	-----
	11,401	11,338
	=====	=====

25. ADMINISTRATIVE AND SELLING EXPENSES

Salaries, wages and other benefits	25,487	21,820
Insurance	1,991	1,658
Repairs and maintenance	1,456	1,725

Lease rentals	1,980	1,249
Electricity charges	757	550
Provision for doubtful debts	1,000	--
Depreciation	2,965	3,273
Fees and subscription	481	387
Advertisement	549	127
Travelling and conveyance	1,212	1,677
Rent, rates and taxes	2,428	2,175
Printing, stationery and periodicals	764	681
Postage and telephone	2,070	1,782
Other expenses	10	9
	-----	-----
	43,150	37,113
	=====	=====

Note **1999** **1998**
(Rupees in thousands)

26. OTHER CHARGES

Legal and professional charges	863	308
Auditors' remuneration		
Audit fee	150	145
Other services	14	33
Out of pocket expenses	11	11
	-----	-----
	175	189
Workers' profit participation fund	9,032	6,677
Workers' welfare fund	1,965	916
Amortization of deferred costs	97	97
Donations	26.1	5
	-----	-----
	12,137	8,192
	=====	=====

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

27. FINANCIAL CHARGES

Mark-up on redeemable capital	32,354	49,600
Mark-up/Interest on:		
Long-term foreign currency loans	--	117
Short-term finances	38,781	22,555
Finance lease obligations	15,925	14,388
Workers' profit participation fund	269	223
Suppliers' credit	167	4,616
	-----	-----
	55,142	41,899
Central excise duty	30	34
Other loan receiving charges	641	775
Bank charges and commission	769	684

Loss on exchange (net)	2,203	885
	-----	-----
	91,139	93,877
	=====	=====

28. GRATUITY

The liability for gratuity not provided in these accounts amounts to Rs. 0.77 million (1998: Rs. 0.66 million) (Note 2.4).

29. TAXATION

Current - for the year	18,885	8,100
- for the prior years	1,534	2,903
	-----	-----
	20,419	11,003
Deferred (Note 18.1)	15,000	--
	-----	-----
	35,419	11,003
	=====	=====

In addition to exemption under Clause 176 of the Second Schedule to the income Tax Ordinance, 1979, profits and gains of the subsidiary company are also exempt from minimum tax liability under section 80D under Clause 20 Part IV of the Second Schedule to the Income Tax Ordinance, 1979.

The Income Tax Authorities while framing the income tax assessments of subsidiary company for the financial years 1995-96, 1996-97 and 1997-98 have taxed profits on deposits and mark-up income. The company filed appeals to the Commissioner of Income Tax against these orders who has decided the issue in the subsidiary's favour. However, the tax department has filed appeals in the Income Tax Appellate Tribunal challenging the orders of the Commissioner of Income Tax.

Note **1999** **1998**
(Rupees in thousands)

30. BASIC EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share of the group, which is based on:

Profit after taxation	89,225	89,945
	=====	=====
Weighted average number of ordinary shares (in thousands)	31,421	31,421
	=====	=====
Basic earnings per share (rupees)	2.84	2.86
	=====	=====

31. CASH GENERATED FROM OPERATIONS

Profit before taxation	124,644	100,948
Adjustment for non-cash charges and other items:		
Depreciation	91,786	86,579
Gain on sale of fixed assets	(776)	(3,016)
Amortization of deferred costs	97	97
Return on short-term investment and deposits	(66)	(335)
Financial charges	91,139	93,877
Working capital changes	31.1 (46,395)	(117,472)
	-----	-----

	260,429	160,678
	=====	=====
31.1 Working capital changes		
(Increase)/decrease in current assets:		
Stores and spares	(495)	(42,082)
Stock-in-trade	30,955	(151,272)
Trade debts	(14,192)	(28,299)
Loans, advances and other receivables	(4,318)	(3,305)
Deposits and prepayments	(892)	(3,091)
	-----	-----
	11,058	(228,049)
(Decrease)/increase in current liabilities:		
Creditors, accrued and other liabilities (excluding unclaimed dividend)	(57,453)	110,577
	-----	-----
	(46,395)	(117,472)
	=====	=====

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 group s as follows:

	<i>1999</i>			<i>1998</i>		
	<i>Chief Executive</i>	<i>Executives</i>	<i>Total</i>	<i>Chief Executive</i>	<i>Executives</i>	<i>Total</i>
	<i>(Rupees in thousands)</i>					
Managerial remuneration	714	12,016	12,730	611	9,499	10,110
House rent	291	4,906	5,197	249	3,874	4,123
Bonus	108	1,814	1,922	92	1,433	1,525
Provident fund	58	986	1,044	50	779	829
	-----	-----	-----	-----	-----	-----
Total	1,171	19,722	20,893	1,002	15,585	16,587
	=====	=====	=====	=====	=====	=====
Number of persons	1	59	60	1	46	47
	=====	=====	=====	=====	=====	=====

Aggregate amount charged in these accounts in respect of director's fee is Rs. 1,000 (1998: Rs. 1,000).

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

1999 *1998*
(Rupees in thousands)

33. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Sales of goods and services	170,827	162,756
Purchases of goods and services	20,195	19,563
Rent and other allied charges	2,424	2,222
Insurance agency commission	2,322	2,285

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. SEGMENT INFORMATION

Segment information has not been provided as the majority of the revenue of the subsidiary company is earned from sales to the holding company.

35. CAPACITY AND PRODUCTION/GENERATION

	<i>1999</i>		<i>1998</i>	
<i>Parent company</i>	<i>Annual capacity on three shifts</i>	<i>Actual Production</i>	<i>Annual capacity on three shifts</i>	<i>Actual Production</i>
Paper and Board (tonnes)	60,000	58,545	50,000	51,145
<i>Subsidiary company</i>	Installed capacity	Actual generation	Installed capacity	Actual generation
Number of generators	3	3	3	3
Power generation (Kilowatts in thousands)	94,172	67,215	94,172	64,760

36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Concentration of credit risks

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparts failed completely to perform as contracted. The group does not have significant exposure to any individual customer. To reduce exposure to credit risk the group applies credit limits to its customers.

Interest rate risk

Interest rate risks arises from the possibility that changes in interest rates will affect the value of financial instruments. The group is not materially exposed to interest rate risk except in respect of redeemable capital and liabilities against assets subject to finance lease which are at fixed interest rates. The interest rates and maturities of these items are disclosed in notes 16 and 17 respectively.

Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. In appropriate cases, the management takes out forward contracts to mitigate the risk.

Fair values of financial instruments

The carrying value of all the financial instruments reported in the financial statements approximate their fair value.

37. GENERAL

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

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

IQBALALI LAKHANI
Chairman

M. RAFI CHAWLA
Chief Executive

Century Power Generation Limited

CORPORATE INFORMATION

BOARD OF DIRECTORS

Iqbalali Lakhani-Chairman

M. Rafi Chawla - Chief Executive & Managing Director

Zulfiqarali Lakhani

Amin Mohammed Lakhani

Tasleemuddin Ahmed Batlay

Aziz Ebrahim

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

Citibank N.A.

HEAD OFFICE, CORPORATE OFFICE

Lakson Square, Building No. 2

Sarwar Shaheed Road, Karachi-74200, Pakistan

Phones: (021) 5689081 - 89

Fax: (021) 5681163 & (021) 5683410

E-Mail: cpbm@cyber.net.pk

REGISTERED OFFICE

41-K, Model Town, Lahore, Pakistan

Phone: (042) 5880697

POWER GENERATION PLANT

Jamber Khurd, Bhai Pheru, Tehsil Chunian

Lahore-Multan Road, District Kasur, Pakistan

Phones: (04951) 388151 & 388200

DIRECTORS' REPORT

The Directors take pleasure in presenting their report together with the audited accounts for the year ended 30 June 1999.

GENERATION

The capacity utilisation of the plant improved by 4% further in this year due to increase off take by Century Paper & Board Mills Ltd, our major customer and holding company. The generation for the year was 67.22 million kwh compared to 64.76 million kwh last year. During the current year 16000 hrs' overhauling was done successfully of all the three power engines.

FINANCIAL RESULTS

The company sold 63.79 million unit kwh during the year as compared to 61.71 million units kwh last year. The sales value for the year 1998/99 is Rs. 223 million as compared to Rs. 206 million last year, an increase of 8%. The electricity tariff of WAPDA were lowered by around 8% in April 1999, the Company accordingly revised its tariff.

Price of Furnace Oil, the major input, also increased in May 1999 around 10% which will have a negative impact on profitability in the following year.

The net profit after tax was Rs. 60.50 million as compared to Rs. 48.99 million last year, an increase of 23%.

The Board recommends following for appropriation:

(Rupees '000)

Profit before taxation	62,186
Taxation	1,689

Profit after taxation	60,497
Un-appropriated profit brought forward	935

	61,432
First interim dividend Rs. 1.50 (1 998: Re. 1.00) per share	17,250
Second interim dividend Rs. 1.50 (1998: Re. 1.00) per share	17,250
Proposed final dividend Re. 1.00 (1998: Re. 0.50) per share	11,500

Transferred to general reserve	15,000

	61,000

Unappropriated profit carried forward	432
	=====
Earnings per share	Rs. 5.26
	=====

MILLENNIUM COMPLIANCES

Our millennium compliance has covered all hardware, software and plant and machinery and we are confident that there will be no disruption of its activities.

ACKNOWLEDGMENTS

The board wishes to thank its customers, 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 trust and confidence on the management of the Company.

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.

FUTURE OUTLOOK

The margin of the company will be under pressure next year as a result of reduction in electricity tariff by WAPDA and increase in furnace oil price, our major input. Both these changes were made in the late second half of our financial year and its full impact will be felt in the next year. However, we expect that increase in volume due to higher off take from our customers and lesser down time will to some extent offset this negative impact.

On behalf of the Board of Directors

IQBALALI LAKHANI
Chairman

Karachi: August 20, 1999

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of CENTURY POWER GENERATION LIMITED as at June 30, 1999 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 in 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, 1999; 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.

Karachi: August 20, 1999

M. YOUSUF ADIL SALEEM & CO.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousands)</i>	
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	45,432	30,935
		-----	-----
		160,432	145,935
REDEEMABLE CAPITAL	5	25,000	50,000
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	6	7,735	20,370
CURRENT LIABILITIES			
Current portion of - redeemable capital	5	25,000	25,000
- liabilities against assets subject to finance lease	6	12,634	10,861
Short-term running finance	7	--	--
Creditors, accrued and other liabilities	8	7,302	7,665
Dividend	9	11,500	17,250
		-----	-----
		56,436	60,776

COMMITMENTS

10	-----	-----
	249,603	277,081
	=====	=====

The annexed notes form an integral part of these accounts.

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousands)</i>	
OPERATING FIXED ASSETS	11	191,165	207,637
LONG-TERM LOAN	12	--	17,000
LONG-TERM DEPOSITS AND DEFERRED COSTS	13	5,437	5,045
CURRENT ASSETS			
Stores and spares	14	16,452	15,079
Stock-in-trade	15	4,639	4,417
Debtors	16	18,633	20,512
Advances, deposits and other receivables	17	4,579	317
Tax refundable		86	60
Short term investment - Certificates of investment		7,000	--
Cash and bank balances	18	1,612	7,014
		-----	-----
		53,001	47,399
		-----	-----
		249,603	277,081
		=====	=====

IQBALALI LAKHANI
Chairman

M. RAFI CHAWLA
Chief Executive

**PROFIT AND LOSS ACCOUNT FOR THE
YEAR ENDED JUNE 30, 1999**

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousands)</i>	
Sales		223,225	206,461
Cost of generation	19	143,650	135,357
		-----	-----
Gross profit		79,575	71,104
Administration and general expenses	20	1,355	1,291
		-----	-----
Operating Profit		78,220	69,813
Other income	21	3,733	4,801
		-----	-----
		81,953	74,614
		-----	-----
Financial charges	22	16,358	22,758

Other charges	23	3,409	2,727
		-----	-----
		19,767	25,485
		-----	-----
Profit before taxation		62,186	49,129
Taxation	24	1,689	144
		-----	-----
Profit after taxation		60,497	48,985
Unappropriated profit brought forward		935	700
		-----	-----
Profit available for appropriation		61,432	49,685
Appropriations:			
First Interim dividend Rs. 1.50 (1998: Re. 1.00) per share		17,250	11,500
Second interim dividend Rs: 1.50 (1998: Re.1.00) per share		17,250	11,500
Proposed final dividend Re. 1.00 (1998: Re. 0.50) per share		11,500	5,750
Transferred to general reserve		15,000	20,000
		-----	-----
		61,000	48,750
		-----	-----
Unappropriated profit carried forward		432	935
		=====	=====
Earnings per share	25	Rs. 5.26	Rs. 4.26
		=====	=====

The annexed notes form an integral part of these accounts.

IQBALALI LAKHANI
Chairman

M. RAFI CHAWLA
Chief Executive

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT) FOR THE YEAR ENDED JUNE 30, 1999**

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousands)</i>	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	26	92,379	73,236
Financial charges paid		(16,929)	(23,036)
Tax paid		(1,715)	(89)
		-----	-----
Net cash inflow from operating activities		73,735	50,111
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(1,035)	(1,465)
Long-term loan		17,000	--
Long-term deposits and deferred costs		(490)	(523)
		-----	-----

Net cash inflow/(outflow) from investing activities	1 5,475	(1,988)
CASH FLOW FROM FINANCING ACTIVITIES		
Redemption of redeemable capital	(25,000)	(25,000)
Lease finance obtained	--	1,050
Repayment of finance leases	(10,862)	(4,819)
Dividend paid	(51,750)	(17,250)
	-----	-----
Net cash (outflow) from financing activities	(87,612)	(46,019)
	-----	-----
Net increase in cash activities	1,598	2,104
Cash and cash equivalents at the beginning of the year	7,014	4,910
	-----	-----
Cash and cash equivalents at the end of year	8,612	7,014
	=====	=====
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	1,612	7,014
Short term investment	7,000	--
	-----	-----
	8,612	7,014
	=====	=====

IQBALALI LAKHANI
Chairman

M. RAFI CHAWLA
Chief Executive

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1999

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 object 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 1 76 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 covering all permanent employees. Equal contributions are made by the company and the employees.

2.4 Operating fixed assets and depreciation

These are stated at cost less accumulated depreciation. Depreciation on operating fixed assets is provided on a straight line basis.

Rates of depreciation which are disclosed in note 11, are designed to write off the cost over the estimated useful lives of the 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.

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 lease are stated at cost less depreciation. The outstanding obligation 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 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 estimated 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 costs

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 Short term investment

These are stated at lower of cost and market value.

2.10 Revenue recognition

Energy sales are recognised on the basis of meter readings recorded on continuous monthly basis. Profit on deposit is recognized on time proportion basis and income on short term investment is recognized on accrual basis.

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousands)</i>	
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 30,1999 10,000,000 Ordinary shares of the company were held by Century Paper & Board Mills Limited.

4. RESERVES

Revenue reserves

General reserves

At the beginning of the year

Transfer from profit and loss account

	30,000	10,000
	15,000	20,000
	-----	-----
	45,000	30,000

Unappropriated profit	432	935
	-----	-----
	45,432	30,935
	=====	=====

5. REDEEMABLE CAPITAL

(Secured - Non-participatory)

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

5.1 The long-term finance has been obtained under mark-up arrangement.

5.2 The total sale price is Rs.100 million with a corresponding purchase price of Rs.169 million. This is subject to a prompt payment rebate of Rs.25 million.

5.3 The loan is repayable in eight equal semi annual installments.

5.4 The rate of mark-up is 3% over the cut-off yield of the last auction of T-Bill immediately preceding mark-up due date; subject to minimum rate of 18.50% upto March 31,1999, thereafter @ 16% per annum.

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

1999 **1998**
(Rupees in thousands)

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	7,735	20,370
	=====	=====

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

Years ending		
June 30,		
1999	--	15,371
2000	15,371	15,371
2001	7,839	7,839
2002	307	307
2003	283	283
	-----	-----
	23,800	39,171
Less: Financial charges allocated to future years	3,431	7,940
	-----	-----
	20,369	31,231
Less: Current portion	12,634	10,861

-----	-----
7,735	20,370
=====	=====

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 (1998: Rs.20 million) has been obtained from a bank which is secured against hypothecation over plant and machinery. The facility is repayable by November 30, 1999 and is renewable. The mark-up is charged at the rates of Re 0.4657 per thousand rupees on daily product basis.

There is an unutilized facilities for opening of letters of credit as at June 30,1999 amounted to Rs.15 million (1998: Rs.10 million).

8. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	788	1,221
Accrued expenses	57	48
Advances from customers	780	780
Mark-up on secured redeemable capital	620	321
Financial charges under finance leases	1,539	2,381
Mark-up on short term running finance	53	82
Central excise duty	116	116
Workers' profits participation fund (Note 8.1)	3,315	2,644
Other liabilities	34	72
	-----	-----
	7,302	7,665
	=====	=====

8.1 Workers' Profits Participation Fund

Balance at the beginning of the year	2,644	1,168
Interest on funds utilised in company's business	42	58
Allocation for the year	3,273	2,586
	-----	-----
	5,959	3,812
Less: Amount paid to the Trustees of the fund	2,644	1,168
	-----	-----
Balance at the end of the year	3,315	2,644
	=====	=====

1999 **1998**
(Rupees in thousands)

9. DIVIDEND

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

	17,508	17,447
	=====	=====

1999 **1998**
(Rupees in thousands)

12. LONG-TERM LOAN

	--	17,000
	=====	=====

Loan provided to Century Paper & Board Mills Limited, the holding company was fully repaid during the year. Loan carried mark-up @20.50%per annum.

13. LONG-TERM DEPOSITS AND DEFERRED COSTS

Long-term lease deposits including return thereon	5,268	4,779
Deferred costs		
Opening balance	266	363
Amortized during the year	97	97
	-----	-----
	169	266
	-----	-----
	5,437	5,045
	=====	=====

14. STORES AND SPARES

Stores	806	609
Spares		
In hand	15,491	14,420
In transit	155	50
	-----	-----
	16,452	15,079
	=====	=====

15. STOCK-IN-TRADE

Oil and lubricants	4,639	4,417
	=====	=====

16. DEBTORS (Unsecured - considered good)

Holding company and associated undertaking	20,033	17,763
Others	479	870
	-----	-----
	18,633	20,512
	=====	=====

17. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Advances - considered good		
Suppliers	4,226	212
Deposits	29	--
Other receivables		
Profit accrued on deposits/investment	307	105
Others	17	--

-----	-----
324	105
-----	-----
4,579	317
=====	=====

18. CASH AND BANK BALANCES

Cash in hand	30	30
Cash at banks		
On current accounts	1,385	2,167
On' deposit accounts	197	4,817
-----	-----	-----
1,612	7,014	
=====	=====	

1999 **1998**
(Rupees in thousands)

19. COST OF GENERATION

Oil and lubricants	91,397	100,228
Salaries, wages and other benefits	4,081	3,814
Depreciation	17,431	17,355
Repairs and maintenance	2,546	2,421
Stores and spares	23,864	7,244
Lease rentals	264	288
Rent, rates and taxes	378	373
Insurance	2,398	2,390
Electricity duty	1,286	1,244
Others	5	--
-----	-----	-----
143,650	135,357	
=====	=====	

20. ADMINISTRATION AND GENERAL EXPENSES

Salaries and other benefits	679	605
Share of common expenses	480	480
Repairs and maintenance	24	7
Lease rentals	12	36
Fees and Subscription	39	23
Depreciation	77	92
Printing, stationery and periodicals	30	39
Postage and telephone	9	5
Travelling and conveyance	1	2
Others	4	2
-----	-----	-----
1,355	1,291	
=====	=====	

21. OTHER INCOME

Mark-up on long term loan to holding company	2,282	3,485
Insurance agency commission	388	392
Profit on deposits/investment	339	444

Sale of scrap	724	480
	-----	-----
	3,733	4,801
	=====	=====

22. FINANCIAL CHARGES

Mark-up on redeemable capital	12,273	17,775
Financial charges under finance leases	3,130	4,657
Mark-up on short term running finance	837	210
Bank charges and commission	76	58
Interest on Workers' profit participation fund	42	58
	-----	-----
	16,358	22,758
	=====	=====

23. OTHER CHARGES

	14	24
Legal and professional	25	20
Audit fee	3,273	2,586
Workers' profit participation fund	97	97
Amortization of deferred costs	-----	-----
	3,409	2,727
	=====	=====

Note **1999** **1998**
(Rupees in thousands)

24. TAXATION

Prior year	1,689	144
	=====	=====

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, 1996/97 and 1997/98 has taxed profit on deposits and mark-up income. The company filed appeals to the Commissioner of Income Tax against these orders who has decided the issue in our favour. However, the tax department has filed appeal in the Tribunal challenging the order of the Commissioner of Income Tax.

25. EARNINGS PER SHARE

There is no dilutive effect on the basic earning per share of the company which is based on

Profit after taxation	60,497	48,985
	=====	=====
Weighted average number of Ordinary shares	11,500,000	11,500,000
	=====	=====

26. CASH GENERATED FROM OPERATIONS

Profit before taxation	62,186	49,129
Adjustment for non cash charges and other items:		
Depreciation	17,508	17,447

Amortization of deferred cost		97	97
Financial charges		16,358	22,758
Working capital changes	26.1	(3,770)	(16,195)
		-----	-----
		92,379	73,236
		=====	=====
26.1 Working capital changes			
(Increase)/decrease in current assets			
Stores and spares		(1,373)	(3,182)
Stock-in-trade		(222)	(2,561)
Debtors		1,879	(6,696)
Advances, deposits and other receivables		(4,262)	(258)
		-----	-----
		(3,978)	(12,697)
Increase/(Decrease) in current liabilities			
Creditors, accrued and other liabilities		208	(3,498)
		-----	-----
		(3,770)	(16,195)
		=====	=====

27. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparts failed to perform as contracted. The company's major exposure of credit risk is to its holding company.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The company is exposed to interest rate risk in respect of short term finances under mark-up arrangements, short term investment and cash in deposits accounts.

Fair values of financial instruments

The carrying value. of all the financial instruments reported in the financial statements approximates their fair values.

1999 **1998**

28. PLANT CAPACITY AND ACTUAL POWER GENERATION

Number of generators installed	3	3
Number of generators worked	3	3
Installed capacity ('000 Kwh)	94,172	94,172
Actual generation ('000 Kwh)	67,215	64,760

29. GENERAL

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

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

IQBALALI LAKHANI
Chairman

M. RAFI CHAWLA
Chief Executive

**PATTERN OF HOLDING OF SHARES
HELD BY THE SHAREHOLDERS AS AT JUNE 30, 1999**

<i>NO. OF SHARE HOLDERS</i>	<i>SHAREHOLDING</i>		<i>TO</i>	<i>TOTAL SHARES HELD</i>
	<i>FROM</i>			
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 =====			TOTALS	----- 11,500,000 =====

**CATEGORIES OF
SHAREHOLDERS**

	<i>NUMBER</i>	<i>SHARES HELD</i>	<i>PERCENTAGE</i>
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 =====

IQBALALI LAKHANI
Chairman

M. RAFI CHAWLA
Chief Executive