

# Century Paper & Board Mills Limited

## Annual Report 2001

### Quality Policy

#### Our Mission: Strive together for excellence

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

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

\* Century's quality objectives are designed for enhancing customer satisfaction and operational efficiencies.

\* Century is committed to building Safe, Healthy and Environment friendly atmosphere.

\* Century, with its professional and dedicated team, ensures continual improvement in quality & productivity through effective implementation of Quality Management System.

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

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## **Corporate Information**

### **BOARD OF DIRECTORS**

Iqbalali Lakhani - Chairman

M. Rafi Chawla - Chief Executive & Managing Director

Zulfiqar Ali Lakhani

Amin Mohammed Lakhani

Tasleemuddin Ahmed Batlay

Javed Omer Vohra

Syed Shabahaat Hussain - Nominee Director (NIT)

### **ADVISOR**

Sultanali Lakhani

### **COMPANY SECRETARY**

Ramzan Ali Halani

### **EXECUTIVE COMMITTEE**

M. Rafi Chawla

Aftab Ahmad

Zafar Iqbal Sobani

### **AUDITORS**

Ford, Rhodes, Robson, Morrow

Chartered Accountants

### **BANKERS**

ABN AMRO Bank N.V

American Express 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

Standard Chartered Grindlays Bank Limited

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 & 5683410

E-Mail: cpbm@cyber.net.pk

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

41-K, Model Town, Lahore, Pakistan

Phone: (042) 5886801 - 4

**MILLS**

Jamber Khurd, Bhai Pheru, Tehsil Chunian

Lahore-Multan Road, District Kasur, Pakistan

Phones: (04943) 510061 & 510062

**Notice of Meeting**

NOTICE IS HEREBY GIVEN that the 18th Annual General Meeting of **CENTURY PAPER & BOARD MILLS LIMITED**

will be held on Thursday September 27, 2001 at 10:30 a.m. at Avari Renaissance Towers Hotel, Fatima Jinnah

Road, Karachi to transact the following business:

1. To receive, consider and adopt the financial statements for the year ended June 30, 2001 and the Directors' and Auditors' reports thereon.
2. To declare a final dividend @ 15% i.e. Rs. 1.50 per share of Rs. 10/- each. This is in addition to the interim dividend @ 10% i.e. Re. 1.00 per share of Rs. 10/- each already paid.
3. To appoint Auditors and fix their remuneration.

**By Order of the Board**

**RAMZAN ALI HALANI**

**Company Secretary**

DATED: August 27, 2001

**NOTES:**

1. The share transfer books of the Company will remain closed from September 15, 2001 to September 27, 2001 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 September 14, 2001 will be considered in time for entitlement of the dividend.
2. A member who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant's [D number and account/sub-account number alongwith Original National Identity Card (NIC) or Original Passport at the time of attending the meeting.
3. 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.
4. If a proxy is granted by a member who has deposited his/her shares in Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID number and account/sub-account number alongwith attested photocopies of NIC or the Passport of the beneficial owner. Representatives of corporate members should bring the usual documents required for such purpose.
5. Forms of proxy to be valid must be received by the Company not later than forty eight hours before the time of the meeting.
6. Members are requested to notify the Company promptly of any change in their addresses.

7. Form of proxy is enclosed herewith.

## Year at a glance

		<i>June 30, 2001</i>	<i>June 30, 2000</i>
Sales volume	Tonnes	64,145	60,120
Gross sales	Rs/mn	2,466	2,006
Net sales	Rs/mn	2,143	1,743
Profit before taxation	Rs/ran	241	151
Taxation	Rs/mn	96	56
Profit after taxation	Rs/mn	145	95
Shareholders' fund	Rs/mn	781	715
Total assets	Rs/mn	1,403	1,361
Capital expenditure	Rs/mn	171	87
Dividend- Cash	% age	25	20
Earnings per share	Rupees	4.60	3.04
Number of employees		889	874

## Statement of Value Added

	<i>2001 Rs. 000</i>	<i>% age</i>	<i>2000 Rs. 000</i>	<i>% age</i>
<b>Wealth Generated</b>				
Total revenue, net of sales tax	2,156,891		1,781,957	
Bought-in-material & services	(1,501,888)		(1,251,843)	
	-----		-----	
	655,003	100	530,114	100
	=====		=====	
<b>Wealth Distributed</b>				
<b>To Employees</b>				
Salaries, benefits & related costs	112,849	17	102,275	19
<b>To Government</b>				
Excise duty, income tax, import duty (exclusive of capital items)and Wo	265,507	41	197,932	38
<b>To providers of Capital</b>				
Dividend to shareholders	78,553	12	62,842	12
Mark-up/interest expenses on borr	54,352	8	55,298	10
<b>Retained for reinvestment &amp; future growth</b>				
Depreciation & retained profit	143,742	22	111,767	21

655,003	100	530,114	100
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## Directors Review

The Directors have pleasure in presenting their annual report together with the Company's audited accounts for the year ended June 30, 2001.

### MARKETING AND BUSINESS SCENARIO

We are pleased to report that AL-HAMDOLILLAH the company has maintained sustained growth as reflected in the financial results.

The company has shown a healthy progress in sales both in terms of value and volume. The total net sales during the year under review is Rs 2.14 Billion which is higher by 23% vis-a-vis last year's of Rs 1.74 Billion. The sales volume during the year under review also registered 7% growth achieving optimum capacity utilization and consistent quality of your company's products and services to our customers in term of timely supplies and all round support in their businesses.

The selling prices of the company's products were revised following changes in the international prices of paper and paperboard especially in Far East, enabling us to get positive adjustment in price regime because of our superior quality, and the Company was able to fully recover costs of raw materials, fuel, power rates and impact of rupee devaluation.

The import of Coated board was restricted because of higher prices and effective assessment procedures contributing increased revenues to Government and providing level playing field to local producers.

### MANUFACTURING

We are delighted to state that during the year all the production facilities performed exceedingly well and achieved high efficiencies in terms of input per ton of electricity and water which resulted in controlling the cost of production.

### FINANCIAL RESULTS

The Directors are pleased to report that the overall profitability of the company continued to be robust. In this year the company earned profit before tax of Rs 240.93 million as compared to Rs 151.15 million last year a substantial increase of 59%. The profit after tax also increased to Rs 144.52 million during the year compared to Rs 95.46 million last year showing a 51% increase. The improvement of profit is also attributable to astute financial and working capital management.

## Directors' Review

An interim dividend of 10% was paid out of current year's profit. The Directors now recommend a final dividend of 15% making a total dividend of 25% for the year.

The appropriations approved by the Directors are therefore as follows:

*(Rupees in thousands)*

Profit for the year before taxation	240,934
Taxation	96,412
	-----
Profit after taxation	144,522
Unappropriated profit brought forward	59
	-----
Profit available for appropriation	144,581
Appropriation:	
Interim Dividend Re 1.00 per share	31,421
Proposed final dividend at Rs 1.50 per share	47,132
Transfer to general reserve	66,000
	-----
	144,553
	-----
Unappropriated profit carried forward	28
	=====
Earnings per share	4.60
	=====

**CONTRIBUTION TO THE NATIONAL ECONOMY**

We are pleased to state that inspite of prevailing economic pressures your company's continued contributions to the national economy in terms of duties and taxes during the year amounted to Rs 515 million showing an increase of 20% over last year.

The company's products are substituting imports resulting in favorable impact on country foreign exchange reserves, besides providing gainful employment.

**ISO CERTIFICATION**

After obtaining ISO 9002 certification for entire mills operations your company has embarked on obtaining latest version of ISO-9001:2000. It is expected that this certification will be received by last quarter of 2001. This certification would further strengthen the confidence of our customers and will result in overall positive impact in company's operation and quality control.

**OUR SUBSIDIARY - CENTURY POWER GENERATION LTD.**

Inspite of a volume growth of 3% and increase in the selling price in the year under review profitability of the subsidiary eroded significantly primarily due to increase in furnace oil prices. Hence operating profit went down from Rs 56.87 million last year to Rs 20.47 million in current year, a fall by 64%.

The profit after tax consequently also went down significantly to Rs 16.00 million as compared to Rs 47.22 million last year. No dividend has been declared by the subsidiary company due to the low EPS of Rs 1.39 as compared to last year EPS of Rs 4.11. The future profitability of our subsidiary is dependent upon the furnace oil prices which have softened slightly after reaching its peak which is expected to improve profitability with corresponding stream of dividend income for your

Company.

## **INVESTMENTS**

We continued our investment in Capital Expenditure of Rs 171 million during the year to improve our productivity in the long run and to enable us to remain as one of the key players in the Paper and Board Industry in Pakistan. Our investment during the last five years has been almost half a billion, The major investment during the year under review had been BMR of Coating Plants. This project was completed according to plans both in terms of cost and time frame and has resulted in improved and consistent quality of our Coated product to our customers. The project of natural gas connection to Mills which was expected to be completed in the second quarter of 2001 but was delayed due to non commissioning of installations by the utility company. Now it is expected the installation will be commissioned in the third quarter of year 2001.

The Company's production capacity has been fully stretched and it does not have any further capacity to service its valued customers. We have decided to install a Board Machine which will increase our installed capacity by around 40%. In addition to this the Company will also diversify and move into manufacturing of value added packaging by vertical integration. The detail planning has been completed and it is expected that the project cost will be around Rs 700 - 800 million during next 2 -3 years. The required plant and equipment to be imported have been short listed by our team, This investment will contribute in a great way towards sustainable and constant growth in future to maintain our market share and a step forward towards diversification.

Your Company is also investing on waste water and effluent treatment plant to reduce suspended solutions and initiate proper environment management.

## **FUTURE OUTLOOK**

Your Company remains eager to both grow and diversify its business with a view to increase Shareholders value and to play a positive role in the development of the national economy.

We are optimistic of the government policy towards better governance at all levels. The key initiatives include documentation of the economy through GST implementation and widening of the tax net. We are optimistic that once these fundamentals are in place it will stimulate local and foreign direct investment in the country. Your Company is keeping itself well positioned to capitalize on growth opportunities in the country besides, maintaining past performance.

## **BOARD OF DIRECTORS**

Mr. Shamim Ahmad Khan representing National Investment Trust (NIT) resigned with effect from 11 June, 2001 .The Board wishes to place on record its appreciation for contribution of valuable services rendered by him. The Board is pleased to welcome Mr. Syed Shabahat Hussain, representing NIT.

## **ACKNOWLEDGEMENTS**

The Directors are grateful to the valued customers whose continuous support is a great source of strength to your Company in the market place.

We also acknowledge and deeply appreciate the support and cooperation received

from the Company's bankers, institutions shareholders and other stakeholders for their trust and confidence in the management of the Company.

The Directors also congratulate all the employees of the Company for their unwavering commitment and hard work in Company's sound performance.

#### **AUDITORS**

The present Auditors M/s. Ford, Rhodes, Robson, Morrow, retire and being eligible, offer themselves for re-appointment.

#### **PATTERN OF SHAREHOLDING**

A pattern of shareholding of the Company as at June 30, 2001 is included in this respect.

**On behalf of the Board of Directors**

**IQBALALI LAKHANI**  
**Chairman**

Karachi: July 31, 2001

### **Century Paper & Board Mills Limited** **Financial Statements** **for the year ended June 30, 2001**

#### **Auditors' Report to the Members**

We have audited the annexed balance sheet of **CENTURY PAPER & BOARD MILLS LIMITED** as at June 30, 2001 and the related profit and loss account, cash flow statement and statement of changes in equity 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.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of accounts 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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, 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, 2001 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Karachi: July 31, 2001

**FORD, RHODES, ROBSON, MORROW**  
**Chartered Accountants**

## Balance Sheet as at June 30, 2001

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in thousands)</i>	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets - Tangible			
Operating assets	3	797,143	718,801
Capital work-in-progress	4	25,390	25,390
		-----	-----
		836,873	744,191
Long-term investment	5	100,000	100,000
Long-term loans	6	495	424
Long-term deposits and prepayment	7	7,147	8,292
<b>CURRENT ASSETS</b>		944,515	852,907
Stores and spares	8	102,428	100,763
Stock-in-trade	9	159,357	198,346
Trade debts	10	153,775	128,756
Loans, advances and other receivables	11	2,161	14,140
Deposits and prepayments	12	6,830	2,454
Taxation - net	13	20,150	39,679
Cash and bank balances	14	13,707	23,628
		-----	-----
		458,408	507,766
		-----	-----
<b>TOTAL ASSETS</b>		1,402,923	1,360,673

<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital			
35,000,000 ordinary shares of Rs.10 each		350,000	350,000
Issued, subscribed and paid-up capital	15	314,213	314,213
Reserves		467,045	401,045
Unappropriated profit		28	59
		781,286	715,317
<b>NON-CURRENT LIABILITIES</b>			
Redeemable capital	16	140,000	46,667
Liabilities against assets subject to finance lease	17	16,282	35,437
Deferred liabilities	18	148,167	94,004
		304,449	176,108
<b>CURRENT LIABILITIES</b>			
Current portion of - redeemable capital	16	46,667	22,222
- liabilities against assets			
subject to finance lease	17	19,155	16,833
Short-term finances	19	64,495	245,437
Creditors, accrued and other liabilities	20	139,739	121,914
Proposed final dividend		47,132	62,842
		317,188	469,248
<b>CONTINGENCIES AND COMMITMENTS</b>			
	21		
<b>TOTAL EQUITY AND LIABILITIES</b>		1,402,923	1,360,673

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, 2001**

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in thousands)</i>	
Sales	22	2,143,462	1,742,924
Cost of goods sold	23	1,793,281	1,517,045
Gross profit		350,181	225,879

Other income	24	13,429	14,033
Administrative and selling expenses	25	49,370	47,135
		-----	-----
Other charges	26	18,954	11,328
Operating profit		295,286	181,449
Financial charges	27	54,352	55,298
Dividend income from subsidiary company		--	25,000
		-----	-----
Profit before taxation		240,934	151,151
Taxation	29	96,412	55,692
		-----	-----
Profit after taxation		144,522	95,459
Unappropriated profit brought forward		59	442
		-----	-----
Profit available for appropriation		144,581	95,901
Appropriations:			
Interim dividend Re 1.00 (10%) per share (2000: Rs. Nil)		31,421	--
Proposed final dividend Rs. 1.50 (15%) per share [2000: Rs. 2.00 (20%) per share]		47,132	62,842
Transfer to general reserve		66,000	33,000
		-----	-----
		144,553	95,842
		-----	-----
Unappropriated profit carried forward		28	59
		=====	=====
Basic earnings per share	30	Rs. 4.60	Rs. 3.04
		=====	=====

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, 2001

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in thousands)</i>	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	31	404,680	247,305
Financial charges paid		(58,959)	(67,405)
Tax paid		(22,720)	(29,141)
Long-term loans		(71)	179

Long-term deposits and prepayment	1,145	(289)
Net cash inflow from operating activities	324,075	150,649
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(171,218)	(87,321)
Dividend received	10,000	25,000
Proceeds from sale of fixed assets	1,008	2,276
Net cash (outflow)from investing activities	(160,210)	(60,045)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Redeemable capital	140,000	20,000
Redemption of redeemable capital	(22,222)	(76,042)
Repayment of leasing finance	(16,833)	(17,977)
Dividend paid	(93,789)	(47,010)
Net cash inflow/(outflow)from financing activities	7,156	(121,029)
Net increase/(decrease)in cash equivalents	171,021	(30,425)
Cash and cash equivalents at the beginning of the year	(221,809)	(191,384)
Cash and cash equivalents at the end of the year	(50,788)	(221,809)
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>		
Cash and bank balances	13,707	23,628
Short-term finances	(64,495)	(245,437)
	(50,788)	(221,809)

The annexed notes form an integral part of these accounts.

**IQBALALI LAKHANI**  
Chairman

**M. RAFI CHAWLA**  
Chief Executive

### Statement of Changes in Equity for the year ended June 30, 2001

	<i>Issued, subscribed and paid-up capital</i>	<i>Reserves Capital</i>	<i>Revenue</i>	<i>Unappropriated Profit</i>	<i>Total</i>
<i>(Rupees in thousands)</i>					
<b>Balance as at July 1, 1999</b>	314,213	85,045	283,000	442	682,700
Profit after taxation	--	--	--	95,459	95,459
Proposed final dividend	--	--	--	(62,842)	(62,842)
Transfer to general reserve during	--	--	33,000	(33,000)	--

<b>Balance as at June 30, 2000</b>	314,213	85,045	316,000	59	715,317
Profit after taxation	--	--	--	144,522	144,522
Interim dividend	--	--	--	(31,421)	(31,421)
Proposed final dividend	--	--	--	(47,132)	(47,132)
Transfer to general reserve during	--	--	66,000	(66,000)	--
<b>Balance as at June 30, 2001</b>	314,213	85,045	382,000	28	781,286

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, 2001

### 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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

#### 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 rates 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**

Transactions in foreign currencies are translated into rupees at the rates of exchange prevailing on the date of transactions. 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.

#### **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>Description</i>	<i>Cost as at July 1, 2000</i>	<i>Additions</i>	<i>Disposals/ adjustments*/ retirements**</i>	<i>Cost as at June 30, 2001</i>	<i>Accumulated depreciation as at July 1, 2000</i>	<i>Depreciation charge for the year</i>	<i>Disposals/ adjustments*/ retirements**</i>	<i>Accumulated depreciation as at June 30, 2001</i>	<i>Book value as at June 30, 2001</i>	<i>Depreciation rate %</i>
<i>(Rupees in thousands)</i>										
Freehold land (Note 3.1)	33,914	--	--	33,914	--	--	--	--	33,914	--
Buildings on freehold land	136,840	3,597	--	140,437	22,294	3,917	--	26,211	114,226	2.50
Plant and machinery (Note 3.2)	944,425	148,553	(1,650) 13,000 * (1,993) **	1,102,335	443,707	63,527	(1,077) 2,406* (1,962) **	506,601	595,734	5 to 20
Furniture and fixtures	6,305	750	(28) **	7,027	3,933	538	(28) **	4,443	2,584	10 to 20
Vehicles	4,107	349	(313)	4,143	3,193	379	(306)	3,266	877	20
Office equipment	11,729	3,629	(244) (1,750)**	13,364	8,083	1,990	(221) (1,621)**	8,231	5,133	10 to 33
	-----	-----	-----	-----	-----	-----	-----	-----	-----	
	1,137,320	156,878	(2,207) 13,000 * (3,771) **	1,301,220	481,210	70,351	(1,604) 2,406 * (3,611) **	548,752	752,468	
<b>Assets held under finance lease</b>										
Plant and machinery	82,673	--	(13,000)*	69,673	19,982	7,422	(2,406)*	24,998	44,675	5 to 20
	-----	-----	-----	-----	-----	-----	-----	-----	-----	
	1,219,993	156,878	(2,207) (3,771)**	1,370,893	501,192	77,773	(1,604) (3,611)**	573,750	797,143	
	=====	=====	=====	=====	=====	=====	=====	=====	=====	
2000	1,127,697	99,485	(7,189)	1,219,993	428,629	79,150	(6,587)	501,192	718,801	
	=====	=====	=====	=====	=====	=====	=====	=====	=====	

\*\* These represent items retired during the year and sold as bulk scrap. Consequently it is not practicable to assign sale proceeds to these individual assets retired (see note 24.1).

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. 8.66 million (2000: Rs. 9.21 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>2001 (Rupees in thousands)</i>	<i>2000</i>
Cost of goods sold	74,690	76,119
Administrative and selling expenses	3,083	3,031

-----	-----
77,773	79,150
=====	=====

3.4 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>
<i>(Rupees in thousands)</i>						
Plant and machinery	796	373	423	404	Negotiation	M/s. Arden Engineering Automation - Lahore
Plant and machinery	12	12	--	150	Negotiation	Mr. Shahid Khalid - Karachi
Plant and machinery	491	341	150	107	Negotiation	Mr. Ajmal - Lahore
Plant and machinery	351	351	--	175	Negotiation	Mr. Sher Mohammed- Lahore
Vehicle	254	254	--	83	Negotiation	Mr. Rao Sajid Hussain - an employee
Vehicle	59	52	7	49	Insurance claim	Century Insurance Company Ltd- an associated company
Office equipment	169	169	--	7	Negotiation	M/s. Fast Tech Computer System - Karachi
Office equipment	34	11	23	10	Negotiation	Jaffer Brothers (Pvt) Ltd- Karachi
Office equipment	41	41	--	23	Insurance claim	Century Insurance Company Ltd- an associated company
	-----	-----	-----	-----		
	2,207	1,604	603	1,008		
	=====	=====	=====	=====		
2000	1,602	1,310	292	2,276		
	=====	=====	=====	=====		

*Note*

*2001*      *2000*  
*(Rupees in thousands)*

#### 4. CAPITAL WORK-IN-PROGRESS

This consists of:

Civil works		1,447	321
Plant and machinery [including in transit Rs. 7.78 million (2000: Rs. 5.09 million)]	4.1	37,664	9,430
Advance to suppliers		619	15,639
		-----	-----
		39,730	25,390
		=====	=====

4.1 Included in plant and machinery are expenditures relating to installation of pipeline for gas supply to the company amounting to Rs. 16.87 million.

#### 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% (2000: 86.96%).

Value of investment based on the net assets shown in the audited accounts as at June 30, 2001

Rs. 169.49 million (2000: Rs. 155.57 million).

100,000 100,000

=====

## 6. LONG-TERM LOANS

Unsecured, considered good

Due from executives

832 862

Other employees

30 29

-----

862 891

Less: Current portion

11

367 467

-----

495 424

=====

Due after three years

32 22

=====

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. 0.94 million (2000: Rs. 1.09 million). The loans are repayable over a period of five years.

## 7. LONG-TERM DEPOSITS AND PREPAYMENT

Security deposits

7,147 8,272

Prepayment

-- 20

-----

7,147 8,292

=====

## 8. STORES AND SPARES

Stores

19,819 16,264

Spares

- In hand

89,811 87,990

- In transit

298 4,009

-----

90,109 91,999

-----

109,928 108,263

Less: Provision for slow moving and obsolete items

7,500 7,500

-----

102,428 100,763

=====

## 9. STOCK-IN-TRADE

Raw materials

In hand

131,302 143,818

In transit

9,690 35,819

-----

	140,992	179,637
Work-in-process	11,054	7,539
Finished goods	7,311	11,170
	-----	-----
	159,357	198,346
	=====	=====
<b>10. TRADE DEBTS - UNSECURED</b>	153,775	128,756
	=====	=====

Trade debts are considered good and have been arrived at after deducting a general provision for doubtful debts of Rs. 3.00 million (2000: Rs. 2.70 million).

Net amount due from associated undertakings at the end of the year amounted to Rs. 8.50 million (2000: Rs. 9.92 million). The maximum amount due from associated undertakings at the end of any month during the year was Rs. 18.35 million (2000: Rs. 9.92 million).

#### 11. LOANS, ADVANCES AND OTHER RECEIVABLES

Loans		
Current portion of long-term loans to executives and other employees	6	467
	367	
Advances- considered good		
to employees	330	207
to suppliers	1,378	2,632
	-----	-----
	1,706	2,839
Other receivables		
Dividend receivable from subsidiary company	--	10,000
Others	88	834
	-----	-----
	88	10,834
	-----	-----
	2,161	14,140
	=====	=====

#### 12. DEPOSITS AND PREPAYMENTS

Deposits	1,489	1,021
Prepayments	608	758
Current account balance with the Central Excise Department	4,733	675
	-----	-----
	6,830	2,454
	=====	=====

#### 13. TAXATION - NET

The income tax assessments of the company have been finalised by the Income Tax Department upto assessment year 1999-2000 (accounting year ended June 30, 1999).

#### 14. CASH AND BANK BALANCES

At banks-on current accounts	7,521	17,718
Cheques in hand	5,055	4,789
Cash in hand	1,131	1,121

-----	-----
13,707	23,628
=====	=====

Cash at banks on current account includes US\$ 6,058 (2000: US\$ 15,160) held in foreign currency accounts.

#### 15. 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 2001</i>	<i>2000</i>
Number of shares	24,345,000	7,076,280	31,421,280	31,421,280
	=====	=====	=====	=====

*(Rupees in thousands)*

Balance as at June 30	243,450	70,763	314,213	314,213
	=====	=====	=====	=====

*Note  
2001      2000  
(Rupees in thousands)*

#### 16. REDEEMABLE CAPITAL

Long-term finances utilised under mark-up arrangements	16.1	186,667	68,889
Less: Current portion shown under current liabilities		46,667	22,222
		-----	-----
		140,000	46,667
		=====	=====

	<i>2001 (Rupees in thousands)</i>	<i>2000 (Rupees in thousands)</i>	<i>Sale price (Rupees in thousands)</i>	<i>Purchase price (Rupees in thousands)</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>
<b>16.1 Long-term finances utilised under mark-up arrangements</b>								
<b>Standard Chartered Grindlays Bank Limited</b>								
For Plant and machinery	46,667	62,222	70,000	126,380	14.75%	25% and waiver of prompt payment	30-06-2000	9 half yearly

						rebate Rs. 19.69 million		
For Plant and machinery	140,000	--	140,000	265,212	The rate of mark-up is 3% over cut off yield of the last auction of 6 months T- Bills	25%	31-12-2001	9 half yearly
For Plant and machinery	--	6,667				--	--	--
	-----	-----						
	186,667	68,889						
	=====	=====						

All long-term finances utilised under mark-up arrangements are secured by equitable mortgage on present and future movable and immovable properties and a first pari-passu hypothecation charge over present and future plant and machinery.

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

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	<i>2001</i>		<i>2000</i>	
	<i>Minimum lease payments</i>	<i>Present value</i>	<i>Minimum lease payments</i>	<i>Present value</i>
	<i>(Rupees in thousands)</i>			
Within one year	25,110	19,155	26,376	16,833
After one year but not more than fi	18,640	16,282	43,750	35,437
	-----	-----	-----	-----
Total minimum lease payments	43,750	35,437	70,126	52,270
Less: Amounts representing finan	8,313	--	17,856	--
	-----	-----	-----	-----
Present value of minimum lease pa	35,437	35,437	52,270	52,270
Less: Current portion shown unde	19,155	19,155	16,833	16,833
	-----	-----	-----	-----
	16,282	16,282	35,437	35,437
	=====	=====	=====	=====

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. 5.79 million (2000: Rs. 5.99 million) upon completion of the lease period.

These are secured by demand promissory notes and security deposits.

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in thousands)</i>	
<b>18. DEFERRED LIABILITIES</b>			
Deferred taxation	18.1	134,163	80,000
Deferred liabilities - other	18.2	14,004	14,004
		-----	-----
		148,167	94,004
		=====	=====

18.1 Net deferred tax liability is composed of differences in accelerated depreciation allowances amounting to Rs. 134.6 million and differences on leased assets amounting to Rs. 3.2 million offset by gross deferred tax assets comprising of provisions for obsolete stores and spares and doubtful debts amounting to Rs. 2.6 million and 1.04 million respectively.

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

### **19. SHORT-TERM FINANCES**

Utilised under mark-up arrangements

Running finance	19.1	64,495	90,437
Term finance		--	155,000
		-----	-----
		64,495	245,437
		=====	=====

19.1 The company has aggregate short-term running finance facilities amounting to Rs. 713 million (2000: Rs. 638 million) from commercial banks on mark-up basis. Rates, net of the prompt payment rebate, range from Re. 0.370 to Re. 0.438 per thousand rupees on daily product basis. The purchase prices and mark-up amounts are payable by June 30, 2002.

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

The facilities for opening of letters of credit and guarantees as at June 30, 2001 amounted to Rs. 644 million (2000: Rs. 651 million) out of which the amount remaining unutilised at the end of the year was Rs. 517.59 million (2000: Rs. 455.17 million).

### **20. CREDITORS, ACCRUED AND OTHER LIABILITIES**

Creditors	20.1	61,470	62,183
Accrued liabilities		18,287	16,572
Sales tax payable (net)		11,714	6,032
Advances from customers		21,503	14,329
Mark-up accrued on secured:			
redeemable capital		--	260
short-term finances		2,733	4,597
		-----	-----
		2,733	4,857
Mark-up accrued on finance leases		1,905	3,038
Central excise duty payable		--	97
Other financial charges payable		5	806
Workers' profit participation fund	20.2	12,854	8,537

Workers' welfare fund	5,781	2,482
Unclaimed dividend	678	204
Other liabilities	2,809	2,777
	-----	-----
	139,739	121,914
	=====	=====

20.1 Net amount due to associated undertakings at the end of the year aggregated to Rs. 22.52 million (2000: Rs.17 million).

## 20.2 Workers' profit participation fund

Balance at the beginning of the year	8,537	5,989
Interest on fund utilised in company's business	--	452
Allocation for the year	12,854	8,085
	-----	-----
	21,391	14,526
Less: Amount paid during the year	8,537	5,989
	-----	-----
Balance at the end of the year	12,854	8,537
	=====	=====

## 21. CONTINGENCIES AND COMMITMENTS

### 22.1 Contingencies

(a) The company came under the purview of fixed capacity for payment of sales tax and central excise duty in May 1992 and complied fully as per rules and instructions provided. The company paid these levies on fixed capacity till it was withdrawn in June 1994. The company was served with a show cause notice in May 1998 for non-payment of sales tax and central excise duty on clearance over and above the fixed capacity which was subsequently vacated by the Additional Collector (Adjudication), Lahore. The Directorate of Inspection and Internal Audit, Custom, Central Excise and Sales Tax, Lahore has filed an appeal in the Appellate Tribunal, against the order of Additional Collector (Adjudication), Lahore, for recovery of central excise duty of Rs. 4.92 million and sales tax of Rs. 3.45 million (plus additional tax and penalties). The appeal is pending before the Appellate Tribunal, Customs, Central Excise and Sales Tax, Lahore. However, the company is confident that the appeal will be dismissed on merit.

The company was also served with a show cause notice from the sales tax department for alleged wrong adjustment of input tax amounting to Rs. 7.37 million during the applicability of fixed capacity scheme. This show cause notice came for hearing during the year by the Collectorate of Customs, Sales Tax and Central Excise (Adjudication) who upheld the view of the department. The company has filed an appeal in the Appellate Tribunal, Customs, Central Excise and Sales Tax, Lahore who has stayed the recovery of demand. The company is confident that the appeal will be decided in its favour.

However, a provision of Rs. 14 million has been made against this as referred in note 18.2.

(b) In May 2001, the Honourable Lahore High Court has decided in favour of the company in respect of a writ petition filed by the company against the demands raised by the Sales

Tax Authority for the recovery of Rs. 4.32 million for alleged incorrect adjustment of input tax on some items of stores and spares.

(c) The company filed a writ petition in the Honourable Lahore High Court in the year 1994 against a show cause notice received from the Department for recovery of Rs. 33.89 million for alleged levy of fixed sales tax on industrial customers. The Honourable Lahore High Court in February 2001 decided the case in favour of the company. The Collector of Central Excise and Sales Tax filed an appeal in the Honourable Supreme Court of Pakistan against the above judgement in April 2001. The Division Bench of the Supreme Court has remanded the case back to the Lahore High Court for fresh hearing. The company is confident of a favourable decision. Hence, no provision has been made in this respect.

## 21.2 Commitments

(a) Commitments under letters of credit, contract and guarantees at the end of the year amounted to Rs. 65.36 million (2000: Rs. 54.45 million).

(b) Commitments for capital expenditure including letters of credit amounted to Rs. 11.28 million (2000: Rs. 104.14 million).

(c) Commitments in respect of forward exchange contracts amounted to Rs. 61.04 million (2000: Rs. 141,38 million).

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

	<i>2001</i>	<i>2000</i>
	<i>(Rupees in thousands)</i>	
Within one year	5,212	5,162
After one year but not more than five years	9,689	10,252
	-----	-----
	14,901	15,414
	=====	=====

## 22. SALES

Gross sales	2,466,094	2,005,782
Less: Sales tax	322,632	262,858
	-----	-----
	2,143,462	1,742,924
	=====	=====

## 23. COST OF GOODS SOLD

Materials consumed		975,686	831,312
Salaries, wages and other benefits	23.1	85,505	78,266
Fuel and power		395,950	301,970
Stores and spares consumed		94,559	90,034
Excise duty		102,018	83,022
Insurance		9,374	9,475
Repairs and maintenance		20,517	17,056
Technical fee		--	665
Lease rentals		2,407	2,452
Packing expenses		26,891	18,270

Depreciation	74,690	76,119
Security services charges	1,934	1,767
Printing, stationery and periodicals	1,131	1,067
Postage and telephone	1,517	1,423
Travelling and conveyance	758	927
	-----	-----
	1,792,937	1,513,825
Opening work-in-process	7,539	11,958
Closing work-in-process	(11,054)	(7,539)
	-----	-----
	(3,515)	4,419
Cost of goods manufactured	-----	-----
	1,789,422	1,518,244
	=====	=====
Opening stock of finished goods	11,170	9,971
Closing stock of finished goods	(7,311)	(11,170)
	-----	-----
	3,859	(1,199)
	-----	-----
	1,793,281	1,517,045
	=====	=====

23.1 Salaries, wages and other benefits include Rs. 2.47 million (2000: Rs. 2.21 million) in respect of staff retirement benefits.

#### 24. OTHER INCOME

Sale of scrap (net of sales tax)	24.1	7,249	6,976
Profit on sale of fixed assets (net)		405	1,984
Insurance agency commission		2,799	2,606
Insurance claim		--	806
Unclaimed liabilities written back		798	203
Management fee from subsidiary company		480	480
Rent		370	368
Net exchange gain/(loss)		706	(35)
Miscellaneous		622	645
		-----	-----
		13,429	14,033
		=====	=====

24.1 This is stated net of Rs. 0.16 million being the written down value of fixed assets sold as bulk scrap during the year (see note 3).

#### 25. ADMINISTRATIVE AND SELLING EXPENSES

Salaries, and other benefits	25.1	30,550	27,846
Insurance		1,860	1,883
Repairs and maintenance		1,424	1,796
Lease rentals		2,369	2,750
Electricity charges		1,004	886
Provision for doubtful debts		300	1,200
Bad debts written off		--	51



Depreciation	3,083	3,031
Fees and subscription	483	496
Advertisement and publicity	393	205
Travelling and conveyance	1,919	1,343
Rent, rates and taxes	2,716	2,462
Security services charges	88	77
Printing, stationery and periodicals	725	930
Postage and telephone	2,037	1,844
Entertainment expenses	412	328
Other expenses	7	7
	-----	-----
	49,370	47,135
	=====	=====

25.1 Salaries and other benefits include Rs. 1.19 million (2000: Rs. 1 million) in respect of staff retirement benefits.

## 26. OTHER CHARGES

Legal and professional charges	2,403	479
Auditors' remuneration		
Audit fee	175	175
Taxation services	153	15
Other services	16	81
Out of pocket expenses	54	23
	-----	-----
	398	294
Workers' profit participation fund	12,854	8,085
Workers' welfare fund	3,299	2,470
	-----	-----
	18,954	11,328
	=====	=====

## 27. FINANCIAL CHARGES

Mark-up on redeemable capital	21,130	15,566
Mark-up/Interest on:		
Short-term finances	23,483	26,365
Finance lease obligations	8,530	12,282
Workers' profit participation fund	--	452
	-----	-----
	32,013	39,099
Central excise duty	--	35
Other loan receiving charges	--	37
Bank charges and commission	1,209	561
	-----	-----
	54,352	55,298
	=====	=====

## 28. GRATUITY

The liability for gratuity not provided in these accounts amounts to Rs. 1.14 million (2000: Rs. 0.93 million) (note 2.3).

**29. TAXATION**

Current - for the year	42,199	33,366
- for the prior years	50	(1,674)
	-----	-----
	42,249	31,692
Deferred	54,163	24,000
	-----	-----
	96,412	55,692
	=====	=====

**30. 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	144,522	95,459
	=====	=====
Weighted average number of ordinary shares (in thousands)	31,421	31,421
	=====	=====
Basic earnings per share (Rupees)	4.60	3.04
	=====	=====

**31. CASH GENERATED FROM OPERATIONS**

Profit before taxation	240,934	151,151
Adjustment for non-cash charges and other items:		
Depreciation	77,773	79,150
Profit on sale of fixed assets	(405)	(1,984)
Fixed assets retired (net book value)	160	--
Dividend income	--	(25,000)
Provision for doubtful debts	300	1,200
Bad debts written off	--	
Financial charges	54,352	55,298
Working capital changes	31.1	31,566
		(12,561)
	-----	-----
	404,680	247,305
	=====	=====

51

**31.1 Working capital changes**

Decrease/(Increase) in current assets:

Stores and spares	(1,665)	918
Stock-in-trade	38,989	8,603
Trade debts	(25,319)	(20,472)
Loans, advances and other receivables (excluding dividend receivable)	1,979	4,298
Deposits and prepayments	(4,376)	4,369
	-----	-----
	9,608	(2,284)

**(Decrease)/Increase in current liabilities:**

Creditors, accrued and other liabilities (excluding unclaimed dividend)	21,958	(10,277)
	-----	-----
	31,566	(12,561)
	=====	=====

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

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

	<i>2001</i>			<i>2000</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	1,111	17,832	18,943	881	14,608	15,489
House rent	351	8,206	8,557	280	5,327	5,607
Bonus	167	2,532	2,699	133	2,161	2,294
Provident fund	91	1,417	1,508	72	1,166	1,238
<b>Total</b>	<b>1,720</b>	<b>29,987</b>	<b>31,707</b>	<b>1,366</b>	<b>23,262</b>	<b>24,628</b>
Number of persons	1	76	77	1	68	69

a) Aggregate amount charged in these accounts in respect of director's fee is Rs. 1,500 (2000: Rs. 500)

b) The chief executive and some executives are also provided with free use of company maintained cars.

*2001*      *2000*  
*(Rupees in thousands)*

**33. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

Sales of goods and services	169,562	119,800
Purchases of goods, fixed assets and services	254,684	222,327
Rent and other allied charges	2,989	2,235
Insurance agency commission	2,799	2,564
Dividend income	--	25,000

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

**34. CAPACITY AND PRODUCTION -TONNES**

	<i>2001</i>		<i>2000</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	60,000	64,394	60,000	60,726

**35. 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 risk 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 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 values of all the financial instruments reported in the financial statements approximate their fair value.

#### 36. NUMBER OF EMPLOYEES

The total number of permanent employees as at year end was 889 (2000: 874)

#### 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

#### Performance of last five years

	<i>(Rs. in million)</i>									
	<i>CAGR</i>	<i>2001</i>	<i>%</i>	<i>2000</i>	<i>%</i>	<i>1999</i>	<i>%</i>	<i>1998</i>	<i>%</i>	<i>1997</i>
<b>INCOME STATEMENT</b>	<b>%</b>		<b>*</b>		<b>*</b>		<b>*</b>		<b>*</b>	
Sales volume- (M.Ton)	13	64,145	7	60,120	4	58,014	16	50,192	42	35,325
Sales value-Gross	16	2,466	23	2,006	8	1,858	16	1,599	35	1,182
Sales value- Net	16	2,143	23	1,743	7	1,629	15	1,422	40	1,015
Gross profit	20	350	55	226	27	178	13	157	13	139
Gross profit %	--	16%		13%		11%		11%		14%
Operating profit	22	295	63	181	29	140	15	126	14	120
Profit from operation	36	241	91	126	103	62	19	52	2	51
Dividend income from subsidiary	--	--	--	25	(44)	45	80	25	150	10
Profit before taxation	32	241	60	151	41	107	39	77	26	61
Profit before taxation %	--	11%		9%		7%		5%		6%
Profit after taxation	21	145	53	95	28	74	12	66	18	56

Profit after taxation %	7%	5%	5%	5%	5%
<b>DIVIDEND</b>					
Cash dividend %	25	20	15	--	10
Stock dividend %	--	--	--	10	--
Dividend payout ratio	54%	66%	64%	--	51%
<b>BALANCE SHEET</b>					
Total assets employed	1,152	930	946	947	940
Paid-up capital	314	314	314	286	286
Shareholders' fund	781	715	683	656	590
Long-term loans	187	69	125	165	241
Finance lease	35	52	70	72	55
<b>RATIO ANALYSIS</b>					
Earnings per share (Rs.) Note	4.60	3.04	2.35	2.10	1.77
Current ratio	1.44:1	1.08:1	1.04:1	1.02:1	0.92:1
Debt / Equity ratio	22:78	14:86	22:78	27:73	33:67
Assets coverage ratio	6.32	11.23	6.89	5.80	3.89
Total assets turnover	1.53:1	1.28:1	1.21:1	1.04:1	0.88:1
Net worth turnover	2.74:1	2.43:1	2.38:1	2.17:1	1.72:1
Return on assets	10%	7%	6%	5%	5%
Return on equity	18%	13%	11%	10%	9%
Break-up value per share (Rs.) Note	24.87	22.77	21.73	20.88	18.78
<b>OTHERS</b>					
Employees (Nos.)	889	874	857	836	822
Contribution to exchequer	515	431	387	338	382
Capital expenditure	171	87	68	39	123

\* *Growth % over previous year*

*Note: Figures restated based on bonus issues*

### Statement Under Section 237(1) of the Companies Ordinance, 1984

**2001**

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, 2001.

i) for the financial year of the subsidiary; Rs. 13.91 million

ii) for the previous years of the subsidiary since it became the holding company's subsidiary; Rs. 55.57 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, 2001.

i) for the financial year of the subsidiary;

ii) for the previous years of the subsidiary since it became the holding company's subsidiary. Rs. 105.00 million

**IQBALALI LAKHANI**  
Chairman

**M. RAFI CHAWLA**  
Chief Executive

### Pattern of Holding of Shares held by the shareholders as at June 30, 2001

<i>NO. OF SHARE HOLDERS</i>	<i>FROM</i>	<i>SHAREHOLDING</i>	<i>TO</i>	<i>TOTAL SHARES HELD</i>
105	1	100	Shares	5,005
157	101	500	Shares	39,509
161	501	1,000	Shares	130,925
219	1,001	5,000	Shares	509,448
39	5,001	10,000	Shares	294,481
22	10,001	15,000	Shares	271,028
9	15,001	20,000	Shares	160,728
10	20,001	25,000	Shares	239,650
4	25,001	30,000	Shares	105,592
2	35,001	40,000	Shares	73,100
1	40,001	45,000	Shares	45,000
3	45,001	50,000	Shares	148,182
1	50,001	55,000	Shares	50,500
3	55,001	60,000	Shares	172,567
2	60,001	65,000	Shares	123,045
1	65,001	70,000	Shares	68,000
1	75,001	80,000	Shares	77,704
2	85,001	90,000	Shares	171,762
1	95,001	100,000	Shares	100,000
1	115,001	120,000	Shares	119,987
1	120,001	125,000	Shares	121,000
1	130,001	135,000	Shares	133,100
1	140,001	145,000	Shares	143,100
1	145,001	150,000	Shares	148,500
1	185,001	190,000	Shares	185,420
1	190,001	195,000	Shares	193,600
1	220,001	225,000	Shares	220,723

1	235,001	240,000	Shares	235,450
1	330,001	335,000	Shares	333,630
1	350,001	355,000	Shares	355,000
1	540,001	545,000	Shares	541,065
1	1,030,001	1,035,000	Shares	1,032,350
1	1,060,001	1,065,000	Shares	1,060,153
1	1,220,001	1,225,000	Shares	1,221,440
1	1,315,001	1,320,000	Shares	1,320,000
1	1,700,001	1,705,000	Shares	1,703,837
1	2,215,001	2,220,000	Shares	2,219,325
1	2,545,001	2,550,000	Shares	2,548,917
1	3,850,001	3,855,000	Shares	3,851,768
1	4,645,001	4,650,000	Shares	4,646,969
1	6,295,001	6,300,000	Shares	6,299,720
-----				-----
765		<b>TOTAL</b>		31,421,280
=====				=====

**CATEGORIES OF  
SHAREHOLDERS**

	<b>NUMBER</b>	<b>SHARES HELD</b>	<b>PERCENTAGE</b>
Individuals	714	3,227,488	10.27
Investment companies	9	3,911,602	12.45
insurance companies	2	1,108,335	3.53
Joint stock companies	26	15,557,340	49.51
Financial institutions	10	7,560,804	24.06
Modaraba companies	3	28,671	0.09
Leasing Company	1	27,040	0.09
	-----	-----	-----
	765	31,421,280	100.00
	=====	=====	=====

**IQBALALI LAKHANI**  
Chairman

**M. RAFI CHAWLA**  
Chief Executive

**Century Paper & Board Mills Limited  
and Century Power Generation Limited -  
Subsidiary Company**

**Consolidated Financial Statements  
For the year ended June 30, 2001**

**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, 2001 and the related consolidated profit and loss account, consolidated cash flow statement and

consolidated statement of changes in equity together with the notes forming part thereof, for the year ended June 30, 2001. 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, 2001 and the results of their operations for the year then ended.

Karachi:- July 31, 2001

**FORD, RHODES, ROBSON, MORROW**  
Chartered Accountants

**Consolidated. Balance Sheet  
as at June 30, 2001**

	<i>Note</i>	<i>2000</i>	<i>2001</i>
<b>ASSETS</b>		<i>(Rupees in thousands)</i>	
<b>NON-CURRENT ASSETS</b>			
Fixed assets - Tangible			
Operating assets	3	957,738	895,944
Capital work-in-progress	4	39,730	25,526
		-----	-----
		997,468	921,470
Long-term loans	5	495	424
Long-term deposits, prepayment and deferred costs	6	7,270	14,088
		-----	-----
		1,005,233	935,982
<b>CURRENT ASSETS</b>			
Stores and spares	7	123,844	120,250
Stock-in-trade	8	172,139	207,850
Trade debts	9	159,265	133,542
Loans, advances and other receivables	10	3,642	7,358
Deposits and prepayments	11	6,830	2,454
Taxation - net	12	20,216	39,567
Cash and bank balances	13	14,473	27,452
		-----	-----
		500,409	538,473
		-----	-----
<b>TOTAL ASSETS</b>		1,505,642	1,474,455
		=====	=====



**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		314,213	314,213
Reserves		535,744	455,830
Unappropriated profit		813	849
		-----	-----
		850,770	770,892
		25,416	24,830

**NON-CURRENT LIABILITIES**

Redeemable capital	15	140,000	46,667
Liabilities against assets subject to finance lease	16	16,551	35,958
Deferred liabilities	17	148,167	94,004
		-----	-----
		304,718	176,629

**CURRENT LIABILITIES**

Current portion of - redeemable capital	15	46,667	47,222
- liabilities against assets subject to finance lease	16	19,406	24,026
Short-term finances	18	89,499	256,941
Creditors, accrued and other liabilities	19	122,034	111,073
Proposed final dividend		47,132	62,842
		-----	-----
		324,738	502,104

**CONTINGENCIES AND COMMITMENTS**

**TOTAL EQUITY AND LIABILITIES**

		1,505,642	1,474,455
		=====	=====

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, 2001**

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in thousands)</i>	
Sales	21	2,210,872	1,788,697
Cost of goods sold	22	1,837,945	1,501,498
		-----	-----
Gross profit		372,927	287,199
Other income	23	13,454	14,621
Administrative and selling expenses	24	50,616	49,278

Other charges	25	20,008	14,220
Operating profit		315,757	238,322
Financial charges	26	58,812	63,614
Profit before taxation		256,945	174,708
Taxation	28	96,428	57,026
Profit after taxation		160,517	117,682
Minority interest		2,086	6,158
Net profit for the year		158,431	111,524
Unappropriated profit brought forward		849	820
Profit available for appropriation		159,280	112,344
Appropriations:			
interim dividend Re. 1.00 (10%) per share (2000: Rs. Nil)		31,421	--
Proposed dividend Rs. 1.50 (15%) per share [2000: Rs. 2.00 (20%) per share]		47,132	62,842
Transfer to general reserve		79,914	48,653
		158,467	111,495
Unappropriated profit carried forward		813	849
Basic earnings per share	29	5.04	3.55

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, 2001

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in thousands)</i>	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	30	432,443	311,781
Financial charges paid		(63,596)	(77,171)
Tax paid		(22,914)	(30,277)
Long-term loans		(71)	179
Long-term deposits, prepayment and deferred costs		6,746	(745)

Net cash inflow from operating activities	352,608	203,767
---	---------	---------

**CASH FLOW FROM INVESTING ACTIVITIES**

Capital expenditure	(172,628)	(91,293)
Proceeds from sale of fixed assets	1,008	2,760
Return on short-term investment and deposits received	13	482

Net cash (outflow)from investing activities	(171,607)	(88,051)
---	-----------	----------

**CASH FLOW FROM FINANCING ACTIVITIES**

Redeemable capital	140,000	20,000
Redemption of redeemable capital	(47,222)	(101,042)
Repayment of leasing finance	(24,027)	(30,632)
Dividend paid	(95,289)	(50,759)

Net cash (outflow)from financing activities	(26,538)	(162,433)
---	----------	-----------

Net increase/(decrease) in cash equivalents	154,463	(46,717)
---	---------	----------

Cash and cash equivalents at the beginning of the year	(229,489)	(182,772)
--	-----------	-----------

Cash and cash equivalents at the end of the year	(75,026)	(229,489)
--	----------	-----------

**CASH AND CASH EQUIVALENTS COMPRISE:**

Cash and bank balances	14,473	27,452
Short-term finances	(89,499)	(256,941)

	(75,026)	(229,489)
--	----------	-----------

The annexed notes form an integral part of these accounts.

**IQBALALI LAKHANI**  
Chairman

**M. RAFI CHAWLA**  
Chief Executive

**Consolidated Statement of Changes in Equity  
for the year ended June 30, 2001**

	<i>Issued, subscribed and paid-up capital</i>	<i>Reserves Capital</i>	<i>Revenue</i>	<i>Unappropriated Profit</i>	<i>Total</i>
<i>(Rupees in thousands)</i>					
<b>Balance as at July 1, 1999</b>	314,213	85,045	322,132	820	722,210
Net profit for the year	--	--	--	111,524	111,524
Proposed final dividend	--	--	--	(62,842)	(62,842)
Transfer to general reserve during	--	--	48,653	(48,653)	--
<b>Balance as at June 30, 2000</b>	314,213	85,045	370,785	849	770,892

Net profit for the year	--	--	--	158,431	158,431
Interim dividend	--	--	--	(31,421)	(31,421)
Proposed final dividend	--	--	--	(47,132)	(47,132)
Transfer to general reserve during	--	--	79,914	(79,914)	--
<b>Balance as at June 30, 2001</b>	<b>314,213</b>	<b>85,045</b>	<b>450,699</b>	<b>813</b>	<b>850,770</b>

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, 2001

### 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 176 of the Second Schedule to the Income Tax Ordinance, 1979.

##### Deferred

The parent company provides for deferred tax using the balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

#### 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 rates as company owned assets.

## **2.7 Deferred costs**

These are amortised 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.

## **2.11 Foreign currency translation**

Transactions in foreign currencies are translated into rupees at rates of exchange prevailing on the date of transactions. 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.

## **2.12 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.

### 3. OPERATING ASSETS

The following is a statement of operating assets:

<i>Description</i>	<i>Cost as at July 1, 2000</i>	<i>Additions</i>	<i>Disposals/ adjustments*/ retirements**</i>	<i>Cost as at June 30, 2001</i>	<i>Accumulated depreciation as at July 1, 2000</i>	<i>Depreciation charge for the year</i>	<i>Disposals/ adjustments*/ retirements**</i>	<i>Accumulated depreciation as at June 30, 2001</i>	<i>Book value as at June 30, 2001</i>	<i>Depreciation rate %</i>
<i>(Rupees in thousands)</i>										
Freehold land	33,914	--	--	33,914	--	--	--	--	33,914	--
Buildings on freehold land	156,135	3,597	--	159,732	26,352	4,882	--	31,234	128,498	2.5 to 5
Plant and machinery	1,141,678	150,041	(1,650) 48,000* (1,993)**	1,336,076	505,017	80,480	(1,077) 12,614* (1,962)**	595,072	741,004	5 to 20
Furniture and fixtures	6,765	767	(28)**	7,504	4,198	596	(28)**	4,766	2,738	10 to 20
Vehicles	4,107	349	(313)	4,143	3,193	379	(306)	3,266	877	20
Office equipment	12,014	3,670	(244) (1,850)**	13,590	8,283	2,038	(221) (1,721)**	8,379	5,211	10 to 33
	-----	-----	-----	-----	-----	-----	-----	-----	-----	
	1,354,613	158,424	(2,207) 48,000* (3,871)**	1,554,959	547,043	88,375	(1,604) 12,614* (3,711)**	642,717	912,242	
<b>Assets held under finance lease</b>										
Plant and machinery	118,723	--	(48,000)*	70,723	30,349	7,492	(12,614)*	25,227	45,496	5 to 20
	-----	-----	-----	-----	-----	-----	-----	-----	-----	
	1,473,336	158,424	(2,207) (3,871)**	1,625,682	577,392	95,867	(1,604) (3,711)**	667,944	957,738	
	=====	=====	=====	=====	=====	=====	=====	=====	=====	
2000	1,377,241	103,321	(7,226)	1,473,336	487,008	96,971	(6,587)	577,392	895,944	
	=====	=====	=====	=====	=====	=====	=====	=====	=====	

\*\* These represent items retired during the year and sold as bulk scrap. Consequently it is not practicable to assign sale proceeds to these individual assets retired (see note 23.1).

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

	<i>2001</i>	<i>2000</i>
	<i>(Rupees in thousands)</i>	
Cost of goods sold	92,678	93,842
Administrative and selling expenses	3,189	3,129
	-----	-----
	95,867	96,971
	=====	=====

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>
<i>(Rupees in thousands)</i>						
Plant and machinery	796	373	423	404	Negotiation	M/s. Arden Engineering/Automation,- Lahore
Plant and machinery	12	12	--	150	Negotiation	Mr. Shahid Khalid - Karachi
Plant and machinery	491	341	150	107	Negotiation	Mr. Ajmal - Lahore
Plant and machinery	351	351	--	175	Negotiation	Mr. Sher Mohammed - Lahore
Vehicle	254	254	--	83	Negotiation	Mr. Rao Sajid Hussain - an employee
Vehicle	59	52	7	49	Insurance claim	Century Insurance Company Ltd - an associated company
Office equipment	169	169	--	7	Negotiation	M/s. Fast Tech Computer System - Karachi
Office equipment	34	11	23	10	Negotiation	Jaffer Brothers (Pvt) Ltd- Karachi
Office equipment	41	41	--	23	Insurance claim	Century Insurance Company Ltd - an associated company
	2,207	1,604	603	1,008		
<b>2000</b>	1,639	1,310	329	2,760		

*Note*                      **2001**                      **2000**  
*(Rupees in thousands)*

#### 4. CAPITAL WORK-IN-PROGRESS

This consists of:

Civil works	4.1	1,447	321
Plant and machinery [including in transit of Rs. 7.78 million (2000: Rs. 5.09 million)]		37,664	9,430
Advance to suppliers		619	15,775
		39,730	25,526

4.1 Included in plant and machinery are expenditures relating to installation of pipeline for gas supply to the group amounting to Rs. 16.87 million.

#### 5. LONG-TERM LOANS

Unsecured, considered good

Due from executives	832	862
Other employees	30	29

		862	891
Less: Current portion	10	367	467
		-----	-----
		495	424
		=====	=====
Due after three years		32	22
		=====	=====

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. 0.94 million (2000: Rs. 1.09 million). The loans are repayable over a period of five years.

#### 6. LONG-TERM DEPOSITS, PREPAYMENT AND DEFERRED COSTS

Security deposits		7,270	13,996
Prepayment		--	20
Deferred costs			
Opening balance		72	169
Less: Amortised during the year		72	97
		-----	-----
		--	72
		-----	-----
		7,270	14,088
		=====	=====

#### 7. STORES AND SPARES

Stores		20,917	17,242
Spares			
-In hand		110,129	106,499
- In transit		298	4,009
		-----	-----
		110,427	110,508
		-----	-----
		131,344	127,750
Less: Provision for slow moving and obsolete items		7,500	7,500
		-----	-----
		123,844	120,250
		=====	=====

#### 8. STOCK-IN-TRADE

Raw materials			
In hand		144,084	153,322
In transit		9,690	35,819
		-----	-----
		153,774	189,141
Work-in-process		11,054	7,539
Finished goods		7,311	11,170
		-----	-----
		172,139	207,850
		=====	=====



**9. TRADE DEBTS - UNSECURED**

	159,265	133,542
	=====	=====

Trade debts are considered good and have been arrived at after deducting a general provision for doubtful debts of Rs. 3.00 million (2000: Rs. 2.70 million).

Net amount due from associated undertakings at the end of the year amounted to Rs. 13.34 million (2000: Rs. 14.19 million). The maximum amount due from associated undertakings at the end of any month during the year was Rs. 23,39 million (2000: Rs. 14,19 million).

**10. LOANS, ADVANCES AND OTHER RECEIVABLES**

## Loans

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

5	367	467
---	-----	-----

Advances - considered good

to employees

330	207
-----	-----

to suppliers

2,236	5,724
-------	-------

-----	-----
2,566	5,931

Other receivables

709	960
-----	-----

-----	-----
3,642	7,358

=====	=====
-------	-------

**11. DEPOSITS AND PREPAYMENTS**

Deposits

1,489	1,021
-------	-------

Prepayments

608	758
-----	-----

Current account balance with the Central Excise Department

4,733	675
-------	-----

-----	-----
6,830	2,454

=====	=====
-------	-------

**12. TAXATION - NET**

The income tax assessments of the group have been finalised by the Income Tax Department upto assessment year 1999-2000 (accounting year ended June 30, 1999).

**13. CASH AND BANK BALANCES**

At banks - on current accounts

8,164	20,540
-------	--------

- on deposit accounts

93	972
----	-----

Cheques in hand

5,055	4,789
-------	-------

Cash in hand

1,161	1,151
-------	-------

-----	-----
14,473	27,452

=====	=====
-------	-------

Cash at banks on current accounts of parent company include US\$ 6,058 (2000:US\$15,160) held in foreign currency accounts.

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

*Ordinary*

	<i>Ordinary shares of Rs. 10 each fully paid in cash</i>	<i>shares of Rs. 10 each issued as fully paid bonus shares</i>	<i>Total</i>	
			<i>2001</i>	<i>2000</i>
Number of shares	24,345,000	7,076,280	31,421,280	31,421,280
	=====	=====	=====	=====

(Rupees in thousands)

Balance as at June 30	243,450	70,763	314,213	314,213
	=====	=====	=====	=====

*Note*

*2001*      *2000*  
(Rupees in thousands)

**15. REDEEMABLE CAPITAL**

Long-term finances utilised under mark-up arrangements

15.1      186,667      93,889

Less: Current portion shown under current liabilities

46,667      47,222

-----  
140,000      46,667  
=====

	<i>2001</i>	<i>2000</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>					
<b>15.1 Long-term finances utilised under mark-up arrangements</b>								
<b>Standard Chartered Grindlays Bank Limited</b>								
For Plant and machinery	46,667	62,222	70,000	126,380	14.75%	25% and waiver of prompt payment rebate Rs. 19.69 million	30-06-2000	9 half yearly
For Plant and machinery	140,000	--	140,000	265,212	The rate of mark-up is 3% over cut off yield of the last auction of	25%	31-12-2001	9 half yearly

6 months  
T- Bills

For Plant and machinery	--	6,667	--	--	--	--
For Plant and machinery	--	25,000	--	--	--	--
	-----	-----				
	186,667	93,889				
	=====	=====				

All long-term finances utilised under mark-up arrangements are secured by equitable mortgage on present and future movable and immovable properties and a first pari-passu hypothecation charge over present and future plant and machinery,

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

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2001		2000	
	<i>Minimum lease payments</i>	<i>Present value</i>	<i>Minimum lease payments</i>	<i>Present value</i>
	<i>(Rupees in thousands)</i>			
Within one year	25,417	19,406	34,215	24,026
After one year but not more than fi	18,923	16,551	44,340	35,958
	-----	-----	-----	-----
Total minimum lease payments	44,340	35,957	78,555	59,984
Less: Amounts representing finan	8,383	--	18,571	--
	-----	-----	-----	-----
Present value of minimum lease pa	35,957	35,957	59,984	59,984
Less: Current portion	19,406	19,406	24,026	24,026
	-----	-----	-----	-----
	16,551	16,551	35,958	35,958
	=====	=====	=====	=====

These represent finance leases entered into with leasing companies for plant and machinery. Rates of financial charges ranging from 19% to 22% per annum are used as discounting factors.

The group intend to exercise its option to purchase the leased plant and machinery for Rs. 5.84 million (2000: Rs. 9.54 million) upon completion of the lease period.

These are secured by demand promissory notes and security deposits.

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in thousands)</i>	
<b>17. DEFERRED LIABILITIES</b>			
Deferred taxation	17.1	134,163	80,000
Deferred liabilities - other	17.2	14,004	14,004
		-----	-----

148,167	94,004
=====	=====

17.1 Net deferred tax liability is composed of differences in accelerated depreciation allowances amounting to Rs. 134.6 million and differences on leased assets amounting to Rs. 3.2 million offset by gross deferred tax assets comprising of provisions for obsolete stores and spares and doubtful debts amounting to Rs. 2.6 million and 1.04 million respectively.

17.2 This is in respect of fixed capacity of sale tax and excise duty referred in note 20.1(a)

### 18. SHORT-TERM FINANCES

Utilised under mark-up arrangements-secured

Running finance	18.1	89,499	101,941
Term finance		--	155,000
		-----	-----
		89,499	256,941
		=====	=====

18.1 The group has aggregate short-term running finance facilities amounting to Rs. 743 million (2000: Rs. 658 million) from commercial banks on mark-up basis. Rates, net of the prompt payment rebate, range from Re. 0.370 to Re. 0.438 per thousand rupees on daily product basis. The purchase prices and mark-up amounts are payable by June 30, 2002.

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

The facilities for opening of letters of credit and guarantees as at June 30, 2001 amounted to Rs. 649 million (2000: Rs. 666 million) out of which the amount remaining unutilised at the end of the year was Rs. 522.59 million (2000: Rs. 469.79 million).

### 19. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	19.1	41,889	47,649
Accrued liabilities		18,505	16,749
Sales tax payable (net)		11,714	6,032
Advances from customers		21,503	14,329
Mark-up accrued on secured: redeemable capital		--	299
short-term running finances		3,344	4,721
		-----	-----
		3,344	5,020
Mark-up accrued on finance lease		1,911	3,597
Central excise duty payable		126	205
Other financial charges payable		5	806
Workers' profit participation fund	19.2	13,697	11,183
Workers' welfare fund		5,781	2,482
Unclaimed dividend		678	204
Other liabilities		2,881	2,817
		-----	-----
		122,034	111,073
		=====	=====

19.1 Net amount due to associated undertakings at the end of the year aggregated to Rs. 0.93 million (2000: Rs.1.23 million).

### 19.2 Workers' profit participation fund

Balance at the beginning of the year	11,183	9,304
Interest on fund utilised in company's business	--	542
Allocation for the year	13,697	10,641
	-----	-----
	24,880	20,487
Less: Amount paid during the year	11,183	9,304
	-----	-----
Balance at the end of the year	13,697	11,183
	=====	=====

## 20. CONTINGENCIES AND COMMITMENTS

### 20.1 Contingencies

a) The parent company came under the purview of fixed capacity for payment of sales tax and central excise duty in May 1992 and complied fully as per rules and instructions provided. The company paid these levies on fixed capacity till it was withdrawn in June 1994. The company was served with a show cause notice in May 1998 for non-payments of sales tax and central excise duty on clearance over and above the fixed capacity which was subsequently vacated by the Additional Collector (Adjudication), Lahore. The Directorate of Inspection and Internal Audit, Custom, Central Excise and Sales Tax, Lahore has filed an appeal in the Appellate Tribunal, against the order of Additional Collector (Adjudication), Lahore, for recovery of central excise duty of Rs. 4.92 million and sales tax of Rs. 3.45 million (plus additional tax and penalties). The appeal is pending before the Appellate Tribunal, Customs, Central Excise and Sales Tax, Lahore. However, the company is confident that the appeal will be dismissed on merit.

The company was also served with a show cause notice from the sales tax department for alleged wrong adjustment of input tax amounting to Rs. 7.37 million during the applicability of fixed capacity scheme. This show cause notice came for hearing during the year by the Collectorate of Customs, Sales Tax and Central Excise (Adjudication) who upheld the view of the department. The company has filed an appeal in the Appellate Tribunal, Customs, Central Excise and Sales Tax, Lahore who has stayed the recovery of demand. The company is confident that the appeal will be decided in its favour.

However, a provision of Rs. 14 million has been made against this as referred in note 17.2.

(b) In May 2001, the Honourable Lahore High Court has decided in favour of the parent company in respect of a writ petition filed by the company against the demands raised by the Sales Tax Authority for the recovery of Rs. 4.32 million for alleged incorrect adjustment of input tax on some items of stores and spares.

(c) The parent company filed a writ petition in the Honourable Lahore High Court in the year 1994 against a show cause notice received from the Department for recovery of Rs. 33.89 million for alleged levy of fixed sales tax on industrial customers. The Honourable Lahore High Court in February 2001 decided the case in favour of the company. The Collector of Central Excise and Sales Tax filed an appeal in the Honourable Supreme Court of Pakistan

against the above judgement in April 2001. The Division Bench of the Supreme Court has remanded the case back to the Lahore High Court for fresh hearing. The company is confident of a favourable decision. Hence, no provision has been made in this respect.

## 20.2 Commitments

(a) Commitments under letters of credit, contract and guarantees at the end of the year amounted to Rs. 65.36 million (2000: Rs. 54.83 million).

(b) Commitments for capital expenditure including letters of credit amounted to Rs. 11.28 million (2000: Rs. 104.32 million).

(c) Commitments in respect of forward exchange contracts amounted to Rs. 61.04 million (2000: Rs. 141.38 million).

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

	<i>2001</i>	<i>2000</i>
	<i>(Rupees in thousands)</i>	
Within one year	5,403	5,353
After one year but not more than five years	10,149	10,903
	-----	-----
	15,552	16,256
	=====	=====

## 21. SALES

Gross sales	2,574,341	2,090,040
	-----	-----
Less: Sales tax	362,875	295,913
Discount	594	5,430
	-----	-----
	363,469	301,343
	-----	-----
	2,210,872	1,788.70
	=====	=====

## 22. COST OF GOODS SOLD

Materials consumed	1,171,607	958,130
Salaries, wages and other benefits	90,105	82,819
Fuel and power	197,232	116,661
Stores and spares consumed	113,017	103,501
Excise duty	102,018	83,022
Electricity duty	1,440	1,392
Insurance	11,931	12,124
Repairs and maintenance	22,501	19,803
Technical fee	--	665
Lease rentals	2,479	2,553
Packing expenses	26,891	18,270
Depreciation	92,678	93,842
Security services charges	2,192	2,007
Postage and telephone	1,517	1,423

Travelling and conveyance	758	927
Rent, rates and taxes	--	42
Printing, stationery and periodicals	1,131	1,067
Other expenses	104	30
	-----	-----
	1,837,601	1,498,278
	-----	-----
Opening work-in-process	7,539	11,958
Closing work-in-process	(11,054)	(7,539)
	-----	-----
	(3,515)	4,419
	-----	-----
Cost of goods manufactured	1,834,086	1,502,697
	-----	-----
Opening stock of finished goods	11,170	9,971
Closing stock of finished goods	(7,311)	(11,170)
	-----	-----
	3,859	(1,199)
	-----	-----
	1,837,945	1,501,498
	=====	=====

22.1 Salaries, wages and other benefits include Rs. 2.64 million (2000: Rs. 2.37 million) in respect of staff retirement benefits.

### 23. OTHER INCOME

Sale of scrap (net of sales tax)	23.1	8,101	7,475
Profit on sale of fixed assets (net)		405	2,431
Profit on deposits		13	482
Insurance agency commission		2,799	2,606
Insurance claim		--	806
Unclaimed liabilities written back		798	203
Rent		10	8
Net exchange gain/(loss)		706	(35)
Miscellaneous		622	645
		-----	-----
		13,454	14,621
		=====	=====

23.1 This is stated net of Rs. 0.16 million being the written down value of fixed assets sold as bulk scrap during the year (see note 3).

### 24. ADMINISTRATIVE AND SELLING EXPENSES

Salaries and other benefits	31,487	28,660
Insurance	1,883	1,895
Repairs and maintenance	1,430	1,880
Lease rentals	2,441	2,788
Electricity charges	1,004	886
Provision for doubtful debts	300	1,200
Bad debts written off	--	51
Depreciation	3,189	3,129
Fees and subscription	566	1,385

Advertisement and publicity	393	205
Travelling and conveyance	1,919	1,512
Rent, rates and taxes	2,716	2,462
Security services charges	88	77
Printing, stationery and periodicals	739	960
Postage and telephone	2,039	1,848
Entertainment expenses	413	330
Other expenses	9	10
	-----	-----
	50,616	49,278
	=====	=====

24.1 Salaries and other benefits include Rs. 1.23 million (2000: Rs. 1.03 million) in respect of staff retirement benefits.

## 25. OTHER CHARGES

Legal and professional charges	2,512	693
Auditors' remuneration		
Audit fee	205	200
Taxation services	153	15
Other services	16	81
Out of pocket expenses	54	23
	-----	-----
	428	319
Workers' profit participation fund	13,697	10,641
Workers' welfare fund	3,299	2,470
Amortization of deferred costs	72	97
	-----	-----
	20,008	14,220
	=====	=====

## 26. FINANCIAL CHARGES

Mark-up on redeemable capital	23,421	21,851
Mark-up/Interest on:		
Short-term finances	25,537	26,972
Finance lease obligations	8,624	13,544
Workers' profit participation fund	--	542
	-----	-----
	34,161	41,058
Central excise duty	--	36
Other loan receiving charges	--	37
Bank charges and commission	1,230	632
	-----	-----
	58,812	63,614
	=====	=====

## 27. GRATUITY

The liability for gratuity not provided in these accounts amounts to Rs. 1.14 million (2000: Rs. 0.93 million) (Note 2.4).



## 28. TAXATION

Current - for the year	42,205	33,573
- for prior year	60	(547)
	-----	-----
	42,265	33,026
Deferred	54,163	24,000
	-----	-----
	96,428	57,026
	=====	=====

The profits of the subsidiary company are exempt from tax under clause 176 of the Second Schedule to the Income Tax Ordinance, 1979. Further profits and gains are exempt from minimum tax liability under section 80 (D) under clause 20 part IV of the Second Schedule to the Income Tax Ordinance, 1979.

## 29. 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	158,431	111,524
	=====	=====
Weighted average number of ordinary shares (in thousands)	31,421	31,421
	=====	=====
Basic earnings per share (Rupees)	5.04	3.55
	=====	=====

## 30. CASH GENERATED FROM OPERATIONS

Profit before taxation	256,945	174,708
Adjustment for non-cash charges and other items:		
Depreciation	95,867	96,971
Profit on sale of fixed assets	(405)	(2,431)
Fixed assets retired (net book value)	160	--
Provision for doubtful debts	300	1,200
Bad debts written off	--	51
Amortization of deferred costs	72	97
Return on deposits	(13)	(482)
Financial charges	58,812	63,614
Working capital changes	30.1	20,705
	20,705	(21,947)
	-----	-----
	432,443	311,781
	=====	=====

## 20. Working capital changes

(Increase)/decrease in current assets:

Stores and spares	(3,594)	(2,117)
Stock-in-trade	35,711	3,738
Trade debts	(26,023)	(21,004)
Loans, advances and other receivables	3,716	5,618
Deposits and prepayments	(4,376)	4,398
	-----	-----
	5,434	(9,367)

Increase/(decrease) in current liabilities:

Creditors, accrued and other liabilities  
(excluding unclaimed dividend)

15,271	(12,580)
-----	-----
20,705	(21,947)
=====	=====

### 31. 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 is as follows:

	2001			2000		
	Chief Executive	Executives	Total	Chief Executive	Executives	Total
	<i>(Rupees in thousands)</i>					
Managerial remuneration	1,111	18,750	19,861	881	15,588	16,469
House rent	351	8,512	8,863	280	5,671	5,951
Bonus	167	2,663	2,830	133	2,302	2,435
Provident fund	91	1,489	1,580	72	1,243	1,315
Total	-----	-----	-----	-----	-----	-----
	1,720	31,414	33,134	1,366	24,804	26,170
	=====	=====	=====	=====	=====	=====
Number of persons	1	80	81	1	73	74
	=====	=====	=====	=====	=====	=====

a) Aggregate amount charged in these accounts in respect of director's fee is Rs. 1,500 (2000: Rs.500).

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

2001	2000
<i>(Rupees in thousands)</i>	

### 32. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Sales of goods and services	224,963	167,630
Purchases of goods, fixed assets and services	26,843	24,025
Rent and other allied charges	2,989	2,235
Insurance agency commission	2,799	2,564

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

### 33. 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.

### 34. CAPACITY AND PRODUCTION/GENERATION

Parent company	2001		2000	
	Annual capacity on three	Actual	Annual capacity	Actual

	<i>shifts</i>	<i>Production</i>	<i>shifts</i>	<i>Production</i>
Paper and Board (tonnes)	60,000	64,394	60,000	60,726
<b>Subsidiary company</b>	Installed capacity	Actual generation	Installed capacity	Actual generation
Number of generators	3	3	3	3
Power generation (Kilowatts in tho	94,172	75,268	94,172	72,853

### 35. 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 15 and 16 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.

### 36. NUMBER OF EMPLOYEES

The total number of permanent employees as at year end was 932 (2000: 917).

### 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**

### **Financial Statements**

## For the year ended June 30, 2001

### Corporate Information

#### BOARD OF DIRECTORS

Iqbalali Lakhani - Chairman

M. Rafi Chawla - Chief Executive & Managing Director

Zulfiqar Ali Lakhani

Amin Mohammed Lakhani

Tasleemuddin Ahmed Batlay

Aziz Ebrahim

Aftab Ahmad

#### ADVISOR

Sultanali Lakhani

#### COMPANY SECRETARY

Ramzan Ali Halani

#### EXECUTIVE COMMITTEE

M. Rafi Chawla

Aftab Ahmad

Zafar Iqbal Sobani

#### AUDITORS

M. Yousuf Adil Saleem & Co.

Chartered Accountants

#### BANKERS

Citibank N.A.

Faysal Bank Limited

Habib Bank Limited

Standard Chartered Grindlays Bank Limited

#### 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) 5886801 - 4

#### POWER GENERATION PLANT

Jamber Khurd, Bhai Pheru, Tehsil Chunian

Lahore-Multan Road, District Kasur, Pakistan.

Phones: (04943) 510061 & 510062

## Directors' Review

The Directors are pleased to present the annual report with the audited accounts for the year ended June 30, 2001.

### POWER GENERATION

Generation for the year under review is 75.27 million kwh which constitutes 80% of capacity utilization, as compared to 72.85 million kwh of last year, an increase of 3%. During the year periodical overhauling of the plant was carried out successfully and this will go in long way in its efficient performance during the serviceable life.

### FINANCIAL RESULTS

The Company has achieved sales of Rs. 266.13 million during the year as compared to Rs. 231.08 million last year i.e. an increase of 15%, which is a combination of both volume and value. In spite of higher sales your Company could earn Rs. 16 million profit after tax in comparison to Rs. 47.22 million in the last year. This decline in the profitability is attributed mainly to high cost of furnace oil. The input cost varied highly through out the year. On average the price of furnace oil for the year under review was around 52% higher than that of 1999/2000.

*(Rupees in thousands)*

The Board recommends the following appropriations:

Profit before taxation	16,011
Taxation	(16)
	-----
Profit after taxation	15,995
Unappropriated profit brought forward	905
	-----
	16,900
<b>Appropriation:</b>	
Transfer to general reserve	(16,000)
	-----
Unappropriated profit carried forward	900
	=====
Earnings per share	Rs. 1.39
	=====

### FUTURE OUTLOOK

Since May 2000 all the Small Power Producers (SPPs) are presenting their views to the Government of Pakistan through National Electric Power Regulatory Authority (NEPRA) on the issue of granting power generation/distribution licence and other relevant matters. Your Company is pursuing the matter along with other SPPs. The management of the company expects that decision on these issues will soon be coming forth which will enable the continuity of the existing business of your Company.

Despite of unfavourable circumstances of the company, the parent company was well benefited by smooth power supply. The parent company is finalizing its expansions, which will certainly increase its requirement of electric power. Your company will focus to balance its generation capacity to fulfill the future requirements of the customers.

### ACKNOWLEDGEMENTS

The Board would like to thank to all of its customers for their valuable support, and bankers for their trust and confidence in the management of the company. The Board also appreciates contribution of employees and the management staff.

#### **AUDITORS**

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

#### **PATTERN OF SHAREHOLDING**

A pattern of shareholding of the Company as at June 30, 2001 is included in this report.

**On behalf of the Board of Directors**

**IQBALALI LAKHANI**  
**Chairman**

Karachi: July 30, 2001

#### **Auditors' Report to the Members**

We have audited the annexed balance sheet of **CENTURY POWER GENERATION LIMITED** as at June 30, 2001 and the related profit and loss account, statement of changes in equity and 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.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, 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, cash flow statement and statement of changes in equity together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and these respectively give a true and fair view of the state of the Company's affairs as at June 30, 2001 and of the profit, changes in equity and its cash flows for the year then ended; and

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

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

Karachi: July 30, 2001

### Balance Sheet as at June 30, 2001

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in thousands)</i>	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets - Tangible			
Operating assets	3	160,595	1,771,431
Capital work-in-progress	4	--	136
		-----	-----
		160,595	177,279
Long-term deposits and deferred cost	5	123	5,796
<b>CURRENT ASSETS</b>			
Stores and spares	6	21,416	19,487
Stock-in-trade	7	12,782	9,504
Debtors	8	27,080	20,950
Advances and other receivables	9	1,481	3,218
Taxation - net		66	--
Cash and bank balances	10	766	3,824
		-----	-----
		63,591	56,983
<b>TOTAL ASSETS</b>			
		-----	-----
		224,309	240,058
		=====	=====
<b>EQUITY AND LIABILITIES</b>			
Authorised capital			
30,000,000 ordinary shares of Rs.10/- each		300,000	300,000
		=====	=====
Issued, subscribed and paid-up capital	11	115,000	115,000
Reserve		79,000	63,000
Unappropriated profit		900	905
		-----	-----
		194,900	178,905

**NON-CURRENT LIABILITIES**

Liabilities against assets subject to finance lease	12	269	521
---	----	-----	-----

**CURRENT LIABILITIES**

Current portion of - redeemable capital		--	25,000
- liabilities against assets subject to finance lease	12	251	7,193
Short-term running finance	13	25,004	11,504
Creditors, accrued and other liabilities	14	3,885	5,323
Taxation - net		--	112
Dividend	15	--	11,500

		-----	-----
		29,140	60,632

<b>COMMITMENTS</b>	16		
--------------------	----	--	--

**TOTAL EQUITY AND LIABILITIES**

		-----	-----
		224,309	240,058
		=====	=====

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, 2001**

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in thousands)</i>	
Sales	17	266,128	231,082
Cost of generation	18	243,742	170,291
		-----	-----
Gross profit		22,386	60,791
Other income	19	865	1,428
Administration and general expenses	20	1,726	2,454
Other charges	21	1,054	2,892
		-----	-----
Operating profit		20,471	56,873
Financial charges	22	4,460	8,316
		-----	-----
Profit before taxation		16,011	48,557
Taxation	23	16	1,334
		-----	-----
Profit after taxation		15,995	47,223
Unappropriated profit brought forward		905	432
		-----	-----
Profit available for appropriation		16,900	47,655
Appropriations:			
First interim dividend - Nil (2000: Rs.1.50) per share		--	17,250



Second interim dividend - Nil (2000: Re.1.00) per share	--	11,500
Transferred to general reserve	16,000	18,000
	-----	-----
	16,000	46,750
	-----	-----
Unappropriated profit carried forward	900	905
	=====	=====
Basic Earnings per share (Rs.)	24	1.39
	=====	=====

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, 2001

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in thousands)</i>	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	25	27,691	64,516
Financial charges paid		(4,565)	(9,805)
Tax paid		(194)	(1,136)
		-----	-----
Net cash inflow from operating activities		22,932	53,575
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(1,410)	(3,972)
Proceed from sale of fixed assets		--	484
Profit on deposit		13	482
Long-term deposits and deferred costs		26	(456)
		-----	-----
Net cash (outflow) from investing activities		(1,371)	(3,462)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Redemption of redeemable capital		(25,000)	(25,000)
Repayment of finance leases		(1,619)	(12,655)
Dividend paid		(11,500)	(28,750)
		-----	-----
Net cash (outflow)from financing activities		(38,119)	(66,405)
		-----	-----
Net (decrease)in cash and cash equivalents		(16,558)	(16,292)
Cash and cash equivalents at the beginning of the year		(7,680)	8,612
		-----	-----
Cash and cash equivalents at the end of the year		(24,238)	(7,680)
		=====	=====

**CASH AND CASH EQUIVALENTS COMPRISE:**

Cash and bank balances	766	3,824
Short-term running finance	(25,004)	(11,504)
	-----	-----
	(24,238)	(7,680)
	=====	=====

The annexed notes form an integral part of these accounts.

**IQBALALI LAKHANI**  
Chairman

**M. RAFI CHAWLA**  
Chief Executive

### Statement of Changes in Equity for the year ended June 30, 2001

	<i>Issued, subscribed and paid-up capital</i>	<i>Reserve</i>	<i>Unappropriated Profit</i>	<i>Total</i>
<i>(Rupees in thousands)</i>				
Balance as at July 01, 1999	115,000	45,000	432	160,432
Profit after taxation	--	--	47,223	47,223
Interim dividend	--	--	(28,750)	(28,750)
Transfer to general reserve	--	18,000	(18,000)	--
<b>Balance as at June 30, 2000</b>	-----	-----	-----	-----
	115,000	63,000	905	178,905
Profit after taxation	--	--	15,995	15,995
Transfer to general reserve	--	16,000	(16,000)	--
<b>Balance as at June 30, 2001</b>	-----	-----	-----	-----
	115,000	79,000	900	194,900
	=====	=====	=====	=====

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, 2001

#### 1. THE COMPANY AND ITS OPERATIONS

The company was 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 176 of the Second Schedule to the Income Tax Ordinance, 1979.

### **2.3 Staff retirement benefits**

The company contributes to a provident fund scheme established since July 01, 1996 covering all permanent employees. Equal contributions are made by the company and the employees.

### **2.4 Tangible fixed assets and depreciation**

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

Depreciation on operating fixed assets is provided on 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. Depreciation on addition and deletion during the year 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**

The company accounts for plant and machinery acquired under finance leases by recording the assets and the related liability. 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 Stores and spares and stock in trade**

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**

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

### **2.9 Foreign currency translation**

Transactions in foreign currencies are translated into rupees at the rate of exchange prevailing at the date of transactions. 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 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.

### 3. OPERATING ASSETS

The following is the statement of operating assets:

	<i>Cost as at July 1, 2000</i>	<i>Additions/ Disposals</i>	<i>Adjustments*</i>	<i>Cost as at June 30, 2001</i>	<i>Accumulated depreciation as at July 1, 2000</i>	<i>Depreciation charge for the year</i>	<i>Disposals/ Adjustments*</i>	<i>Accumulated depreciation as at June 30, 2001</i>	<i>Book value as at June 30, 2001</i>	<i>Depreciation rate %</i>
Buildings	19,295	--	--	19,295	4,058	965	--	5,023	14,272	5
Plant and machinery	197,253	1,488	35,000	233,741	61,310	16,953	10,208	88,471	145,270	5 to 20
Furniture and fixtures	460	17	--	477	265	58	--	323	154	10 to 15
Office equipment	285	41	(100)*	226	200	48	(100)*	148	78	10 to 33
	-----	-----	-----	-----	-----	-----	-----	-----	-----	
	217,293	1,546	34,900	253,739	65,833	18,024	10,108	93,965	159,774	
<b>Assets held under finance lease</b>										
Plant and machinery	36,050	--	(35,000)	1,050	10,367	70	(10,208)	229	821	5 to 20
	-----	-----	-----	-----	-----	-----	-----	-----	-----	
	253,343	1,546	(100)*	254,789	76,200	18,094	(100)*	94,194	160,595	
	=====	=====	=====	=====	=====	=====	=====	=====	=====	
2000	249,544	3,836	(37)	253,343	58,379	17,821	--	76,200	177,143	
	=====	=====	=====	=====	=====	=====	=====	=====	=====	

3.1 The plant has been setup on two acres of land which has been acquired on lease for 20 years, extendable with mutual consent, at the rate of Rs. 15,000 per month per acre subject to periodical increases, from Century Paper & Board Mills Limited, the holding company.

3.2 These relate to fully depreciated assets scrapped during the year.

*2001*      *2000*  
*(Rupees in thousands)*

### 3.3 Depreciation for the year has been allocated as follows:

Cost of generation	17,988	17,723
Administration and general expenses	106	98
	-----	-----
	18,094	17,821
	=====	=====

### 4. CAPITAL WORK-IN-PROGRESS

Advance to suppliers for plant and machinery	--	136
	=====	=====

### 5. LONG-TERM DEPOSITS AND DEFERRED COSTS

Long-term lease deposits	123	5,724
Deferred costs		
Opening balance	72	169

Amortized during the year	72	97
	-----	-----
	--	72
	-----	-----
	123	5,796
	=====	=====

**6. STORES AND SPARES**

Stores	1,098	978
Spares	20,318	18,509
	-----	-----
	21,416	19,487
	=====	=====

**7. STOCK-IN-TRADE**

Oil and lubricants	12,782	9,504
	=====	=====

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

Holding company and associated undertaking	26,429	20,431
Others	651	519
	-----	-----
	27,080	20,950
	=====	=====

The maximum amount due from the holding company and associated undertaking at the end of any month during the year was Rs. 28.96 million. (2000: Rs. 24.48 million).

**9. ADVANCES AND OTHER RECEIVABLES**

Advances to suppliers- considered good	860	3,092
Other receivables		
Sales tax refundable	360	61
Profit accrued on deposit	--	54
Others	261	11
	-----	-----
	621	126
	-----	-----
	1,481	3,218
	=====	=====

**10. CASH AND BANK BALANCES**

Cash in hand	30	30
Cash at banks		
On current accounts	643	2,822
On deposit accounts	93	972
	-----	-----
	766	3,824
	=====	=====

**11. 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 30,2001 10,000,000 ordinary shares of the company were held by Century Paper & Board Mills Limited.

## 12. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	<i>2001</i>		<i>2000</i>	
	<i>Minimum</i>	<i>Present</i>	<i>Minimum</i>	<i>Present</i>
	<i>lease</i>	<i>value</i>	<i>lease</i>	<i>value</i>
	<i>payments</i>	<i>(Rupees in thousands)</i>	<i>payments</i>	<i>(Rupees in thousands)</i>
Within one year	307	251	7,839	7,193
After one year but not more than fi	283	269	590	521
<b>Total minimum lease payments</b>	<b>590</b>	<b>520</b>	<b>8,429</b>	<b>7,714</b>
Less: Amount representing financ	70	--	715	--
<b>Present value of minimum lease pa</b>	<b>520</b>	<b>520</b>	<b>7,714</b>	<b>7,714</b>
Less: Current portion	251	251	7,193	7,193
	<b>269</b>	<b>269</b>	<b>521</b>	<b>521</b>

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

The company intends to exercise its option to purchase the leased plant & machinery for Rs. 0.05 million (2000: Rs. 3.55 million) upon completion of the lease period.

This is secured by demand promissory notes and security deposits.

	<i>2001</i>	<i>2000</i>
	<i>(Rupees in thousands)</i>	
<b>13. SHORT-TERM RUNNING FINANCES</b>		
(Under mark-up arrangements - Secured)	25,004	11,504

## 13. SHORT-TERM RUNNING FINANCES

(Under mark-up arrangements - Secured)

25,004      11,504

A finance facility amounting to Rs.30 million (2000: Rs.20 million) has been obtained from a bank which is secured against hypothecation over plant and machinery. The facility is repayable by January 31, 2002 and is renewable. The mark-up is charged at the rate of Re 0.3699 per thousand rupees on daily product basis.

The facility for opening of letters of credit as at June 30, 2001 amounted to Rs. 5 million (2000: Rs.15 million) which remained unutilized at the end of the year (2000: Rs. 14.62 million). The facility is available upto July 31, 2002.

<i>Note</i>	<i>2001</i>	<i>2000</i>
-------------	-------------	-------------

*(Rupees in thousands)***14. CREDITORS, ACCRUED AND OTHER LIABILITIES**

Creditors	14.1	2,009	1,630
Accrued expenses		218	177
Mark-up on secured redeemable capital		--	39
Financial charges under finance leases		6	559
Mark-up on short-term running finance		611	124
Electricity duty		126	108
Workers' profits participation fund	14.2	843	2,646
Other liabilities		72	40
		-----	-----
		3,885	5,323
		=====	=====

14.1 It includes Rs. 0.01 million due from associated undertakings (2000: Rs. 0.39 million).

**14.2 Workers' Profits Participation Fund**

Balance at the beginning of the year		2,646	3,315
Interest on funds utilised in company's business		--	90
Allocation for the year		843	2,556
		-----	-----
		3,489	5,961
Less: Amount paid to the Trustees of the fund		2,646	3,315
		-----	-----
Balance at the end of the year		843	2,646
		=====	=====

**15. DIVIDEND**

Proposed		--	11,500
		=====	=====

**16. COMMITMENTS**

(a) Commitment under letter of credit as at the end of the year was nil. (2000: Rs.0.38 million).

(b) Commitment for capital expenditure as at the end of the year was nit. (2000: Rs. 0.18 million).

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

Within one year		191	191
After one year but not more than five years		460	651
		-----	-----
		651	842
		=====	=====

**17. SALES**

Gross Sales		308,496	283,646
Less: Sales tax		40,243	33,055
Discount		2,125	19,509
		-----	-----
		42,368	52,564

Net Sales		266,128	231,082
		=====	=====

**18. COST OF GENERATION**

Oil and lubricants		195,921	126,818
Salaries, wages and other benefits	18.1	4,600	4,553
Depreciation		17,988	17,723
Stores and spares - net		18,458	13,467
Repairs and maintenance		1,984	2,747
Insurance - net		2,557	2,649
Electricity duty		1,440	1,392
Lease rentals		72	101
Security services charges		258	240
Rent, rates and taxes		360	402
Others		104	199
		-----	-----
		243,742	170,291
		=====	=====

18.1 Salaries, wages and other benefits include Rs. 0.17 million (2000: Rs. 0.16 million) in respect of retirement benefits.

**19. OTHER INCOME**

Sale of scrap	19.1	852	499
Gain on sale of fixed asset		--	447
Profit on deposit		13	482
		-----	-----
		865	1,428
		=====	=====

19.1 These represent net of sales tax.

**20. ADMINISTRATION AND GENERAL EXPENSES**

Salaries and other benefits	20.1	937	814
Management fee to holding company		480	480
Repairs and maintenance		6	84
Lease rentals		72	38
Fees and Subscription		83	889
Depreciation		106	98
Insurance		23	12
Printing, stationery and periodicals		14	30
Others		5	9
		-----	-----
		1,726	2,454
		=====	=====

20.1 Salaries and other benefits include Rs. 0.04 million (2000: Rs. 0.03 million) in respect of retirement benefits.

**21. OTHER CHARGES**

Legal and professional		109	214
------------------------	--	-----	-----



Audit fee	30	25
Workers' profits participation fund	843	2,556
Amortization of deferred costs	72	97
	-----	-----
	1,054	2,892
	=====	=====

**22. FINANCIAL CHARGES**

Mark-up on redeemable capital	2,291	6,285
Financial charges under finance leases	94	1,262
Mark-up on short-term running finance	2,054	607
Bank charges and commission	21	71
Interest on Workers' profits participation fund	--	90
Central excise duty	--	1
	-----	-----
	4,460	8,316
	=====	=====

**23. TAXATION**

Current year	6	207
Prior year	10	1,127
	-----	-----
	16	1,334
	=====	=====

In addition to exemption under clause 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 assessment of the company has been finalized by the Income Tax Department upto assessment year 1999-2000 (accounting year ended June 30, 1999).

**24. 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	15,995	47,223
	=====	=====
Weighted average number of ordinary shares (in thousands)	11,500	11,500
	=====	=====
Basic earnings per share (Rupees)	1.39	4.11
	=====	=====

**25. CASH GENERATED FROM OPERATIONS**

Profit before taxation	16,011	48,557
Adjustment for non-cash charges and other items:		
Depreciation	18,094	17,821
Gain on sale of fixed asset		(447)
Profit on deposit	(13)	(482)
Amortization of deferred cost	72	97
Financial charges	4,460	8,316
Working capital changes	25.1	(9,346)
	-----	-----

	27,691	64,516
	=====	=====
<b>25.1 Working capital changes</b>		
(Increase)/decrease in current assets		
Stores and spares	(1,929)	(3,035)
Stock-in-trade	(3,278)	(4,865)
Debtors	(6,130)	(2,317)
Advances and other receivables	1,737	1,361
	-----	-----
	(9,600)	(8,856)
(Decrease)/increase in current liabilities		
Creditors, accrued and other liabilities	(1,333)	(490)
	-----	-----
	(10,933)	(9,346)
	=====	=====

## 26. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

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

	2001			2000		
	<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	--	918	918	--	980	980
House rent	--	306	306	--	344	344
Bonus	--	131	131	--	141	141
Provident fund	--	72	72	--	77	77
	-----	-----	-----	-----	-----	-----
Total	--	1,427	1,427	--	1,542	1,542
	=====	=====	=====	=====	=====	=====
Number of persons	1	4	5	1	5	6
	=====	=====	=====	=====	=====	=====

26.1 The Chief Executive of the company is on payroll of the holding company.

2001      2000  
*(Rupees in thousands)*

## 27. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Sales of power	287,599	249,031
Purchases of goods and services	3,522	1,519
Rent charges	360	360
Management fee	480	480

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

## 28. 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 running finance.

**Fair values of financial instruments**

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

**29. NUMBER OF EMPLOYEES**

The total number of permanent employees as at year end was 43 (2000: 43).

	<i>2001</i>	<i>2000</i>
<b>30. PLANT CAPACITY AND ACTUAL POWER GENERATION</b>		
Number of generators installed	3	3
Number of generators worked	3	3
Installed capacity ('000 Kwh)	94,172	94,172
Actual generation ('000 Kwh)	75,268	72,853

**31. 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, 2001**

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

**CATEGORIES OF  
SHAREHOLDERS**

**NUMBER SHARES HELD PERCENTAGE**

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

**IQBALALI LAKHANI**  
Chairman

**M. RAFI CHAWLA**  
Chief Executive

**Performance of last five years**

	2001	2000	1999	1998	1997
	<i>(Rs. '000)</i>				
<b>ASSETS EMPLOYED</b>					
Fixed Assets	160,595	177,279	191,165	207,637	223,619
Long-term loans	--	--	--	17,000	17,000
Long-term deposits and deferred c	123	5,796	5,437	5,045	4,619
Working capital (excluding current	34,702	28,544	34,199	22,484	15,462
-----					
Total assets employed	195,420	211,619	230,801	252,166	260,700
=====					
<b>FINANCED BY</b>					
Paid-up capital	115,000	115,000	115,000	115,000	115,000
Reserve	79,000	63,000	45,000	30,000	10,000
Unappropriated profit	900	905	432	935	700
-----					
Redeemable capital	194,900	178,905	160,432	145,935	125,700
Liability against assets subject to finance lease	--	25,000	50,000	75,000	100,000
-----					
Total capital employed	195,420	211,619	230,801	252,166	260,700
=====					
<b>TURNOVER &amp; PROFIT</b>					
Gross sales	308,496	283,646	250,082	229,088	169,012

Net sales	266,128	231,082	223,225	206,461	152,214
Gross profit	22,386	60,791	79,968	71,104	46,183
% of net sales	8%	26%	36%	34%	30%
Profit before Taxation	16,011	48,557	62,186	49,129	21,628
% of net sales	6%	21%	28%	24%	14%
Profit after Taxation	15,995	47,223	60,497	48,985	21,600
% of net sales	6%	20%	27%	24%	14%

**DIVIDEND - CASH - % age**                      --                      25%                      40%                      25%                      15%

**FINANCIAL RATIOS**

Current ratio	2.18: 1	0.94: 1	0.94: 1	0.78:1	0.70: 1
Debt/equity ratio	1: 99	15 : 85	30 : 70	42 : 58	52 : 48
No of days stock held	19	20	12	12	6
Collection period - Days	32	27	27	32	29
Assets coverage ratio	431.36	7.34	3.55	2.61	2.06
Total assets turnover	1.19: 1	0.96:1	0.89:1	0.75: 1	0.55: 1
Net worth turnover	1.37: 1	1.29: 1	1.39: 1	1.41:1	1.21: 1
Return on assets	7%	20%	24%	18%	8%
Return on equity	8%	26%	38%	34%	17%
Earnings per share - Rs.	1.39	4.11	5.26	4.26	1.88

**OTHERS**

No. of employees                      43                      43                      39                      38                      41



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