STRIVE TOGETHER FOR EXCELLENCE

Balance Sheet

as at June 30, 2005

	Note	2005	2004
		(Rupees in thousands)	
Assets			
Non Current Assets			
Property, plant and equipment			
Operating fixed assets	5	1,661,526	1,537,534
Capital work in progress	6	449,418	190,822
		2,110,944	1,728,356
Intangible fixed assets	7	496	782
Long-term loans	8	33	112
Long-term deposits	9	1,594	2,035
		2,113,067	1,731,285
Current Assets			
Stores and spares	10	157,306	171,654
Stock-in-trade	11	335,127	262,360
Trade debts	12	180,142	133,802
Loans and advances	13	9,913	6,233
Trade deposits and short-term prepayments	14	1,038	1,022
Other receivables	15	16,469	3,930
Cash and bank balances	16	31,231	57,029
		731,226	636,030
Total Assets		2,844,293	2,367,315
Equity and Liabilities			
Share Capital and Reserves			
Authorized capital			
65,000,000 (2004: 35,000,000) ordinary shares of Rs. 10 each		650,000	350,000
Issued, subscribed and paid-up capital	17	321,288	314,213
Reserves	18	1,155,293	1,068,705
		1,476,581	1,382,918
Non-Current Liabilities			
Long-term financing	19	533,077	321,710
Deferred taxation	20	271,668	244,536
		804,745	566,246
Current Liabilities			
Trade and other payables	21	174,779	137,609
Mark up accrued	22	1,735	454
Short-term borrowings	23	203,082	105,310
Current portion of long-term financing	19	138,632	154,188
Taxation - net	24	44,739	20,590
		562,967	418,151
Contingencies and Commitments	25		
Total Equity and Liabilities		2,844,293	2,367,315

The annexed notes form an integral part of these financial statements.

Iqbal Ali Lakhani
Chairman

M. Rafi Chawla
Chief Executive

Profit and Loss Account

for the year ended June 30, 2005

	Note	2005	2004
		(Rupees in thousands)	
Sales	26	3,009,778	2,620,324
Cost of sales	27	(2,517,969)	(2,146,120)
Gross profit		491,809	474,204
General and administrative expenses	28	(71,165)	(64,912)
Selling and distribution expenses	29	(16,005)	(13,187)
Other operating income	30	22,819	23,127
Other operating charges	31	(28,970)	(29,378)
Operating profit		398,488	389,854
Financial charges	32	(22,016)	(22,772)
Profit before taxation		376,472	367,082
Taxation	33	(139,163)	(102,318)
Profit after taxation		237,309	264,764
Earnings per share - basic and diluted (Rupees)	34	7.39	8.24

Appropriations have been reflected in the statement of changes in equity.

The annexed notes form an integral part of these financial statements.

Iqbal Ali Lakhani
Chairman

M. Rafi Chawla
Chief Executive

Cash Flow Statement

for the year ended June 30, 2005

	Note	2005	2004
		(Rupees in thousands)	
Cash Flows from Operating Activities			
Cash generated from operations	37	525,614	457,358
Financial charges paid		(20,735)	(23,624)
Gratuity paid		(3,257)	(4,073)
Tax paid		(87,881)	(34,144)
Long-term loans - net		79	238
Long-term deposits - net		441	457
Net cash generated from operating activities		414,261	396,212
Cash Flows from Investing Activities			
Capital expenditure		(591,115)	(352,517)
Profit received on bank deposit accounts		814	1,814
Proceeds from sale of fixed assets		1,715	866
Net cash used in investing activities		(588,586)	(349,837)
Cash Flows from Financing Activities			
Proceeds from long-term financing		350,000	60,000
Repayment of long-term financing		(154,189)	(61,880)
Repayment of liabilities against assets subject to finance lease		-	(6,001)
Dividend paid		(145,056)	(98,778)
Net cash generated from/(used in) financing activities		50,755	(106,659)
Net decrease in cash and cash equivalents		(123,570)	(60,284)
Cash and cash equivalents at the beginning of the year		(48,281)	12,003
Cash and cash equivalents at the end of the year		(171,851)	(48,281)
Cash and Cash Equivalents Comprise:			
Cash and bank balances	16	31,231	57,029
Short-term borrowings	23	(203,082)	(105,310)
		(171,851)	(48,281)

The annexed notes form an integral part of these financial statements.

Iqbal Ali Lakhani
Chairman

M. Rafi Chawla
Chief Executive

STRIVE TOGETHER FOR EXCELLENCE

Statement of Changes in Equity

for the year ended June 30, 2005

	Issued. subscribed and paid-up capital	Capital reserves			Revenue reserves			Sub total	Total
		Share premium	*Merger reserve	Total	General	Unappropriated profit	Total		
	(Rupees in thousands)								
Balance as at July 1, 2003	**314,213**	**85,045**	**15,000**	**100,045**	**707,000**	**2,146**	**709,146**	**809,191**	**1,123,404**
Change in accounting policy with respect to dividends declared after the balance sheet date being non adjusting event	-	-	-	-	-	94,264	94,264	94,264	94,264
Balance as at July 1, 2003 as restated	314,213	85,045	15,000	100,045	707,000	96,410	803,410	903,455	1,217,668
Final dividend for the year ended June 30, 2003	-	-	-	-	-	(94,264)	(94,264)	(94,264)	(94,264)
Net profit for the year	-	-	-	-	-	264,764	264,764	264,764	264,764
Interim dividend paid by former Century Power Generation Limited to its minority shareholders before merger	-	-	-	-	-	(5,250)	(5,250)	(5,250)	(5,250)
Proposed final dividend	-	-	-	-	-	(141,396)	(141,396)	(141,396)	(141,396)
Transfer to general reserve	-	-	-	-	119,000	(119,000)	-	-	-
Balance as at June 30, 2004	**314,213**	**85,045**	**15,000**	**100,045**	**826,000**	**1,264**	**827,264**	**927,309**	**1,241,522**
Change in accounting policy with respect to dividends declared after the balance sheet date being non adjusting event	-	-	-	-	-	141,396	141,396	141,396	141,396
Balance as at July 1, 2004 as restated	314,213	85,045	15,000	100,045	826,000	142,660	968,660	1,068,705	1,382,918
Final dividend for the year ended June 30, 2004	-	-	-	-	-	(141,396)	(141,396)	(141,396)	(141,396)
Net profit for the year	-	-	-	-	-	237,309	237,309	237,309	237,309
Issue of shares under scheme of amalgamation (Note 17.1)	7,075	-	(7,075)	(7,075)	-	-	-	(7,075)	-
Transfer from general reserve	-	-	-	-	(2,250)	2,250	-	-	-
Transfer to general reserve	-	-	-	-	93,000	(93,000)	-	-	-
Interim dividend paid by former Century Power Generation Limited to its minority shareholders before merger	-	-	-	-	-	(2,250)	(2,250)	(2,250)	(2,250)
Balance as at June 30, 2005	**321,288**	**85,045**	**7,925**	**92,970**	**916,750**	**145,573**	**1,062,323**	**1,155,293**	**1,476,581**

*** This represents 1.5 million shares of Rs. 10 each held by minority shareholders of former Century Power Generation Limited as at July 1, 2003 which is now being reclassified to give effect of merger by using "pooling of interest method" (refer note 1.2 & 47)**

The annexed notes form an integral part of these financial statements.

Iqbal Ali Lakhani
Chairman

M. Rafi Chawla
Chief Executive

Notes to the Financial Statements

for the year ended June 30, 2005

STRIVE TOGETHER FOR EXCELLENCE

1. THE COMPANY AND ITS OPERATIONS

1.1 The Company was incorporated in Pakistan as a Public Limited Company on August 2, 1984 under the Companies Ordinance, 1984 and is quoted on Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at Lakson Square Building No 2, Sarwar Shaheed Road, Karachi, Pakistan. The Company's principal business is the prduction, sale and marketing of paper, board and related products.

1.2 On June 29, 2005 the former subsidiary company namely Century Power Generation Limited (hereinafter referred to as 'CPGL') was merged into the Company under a scheme of amalgamation as follows:

a) Former CPGL was incorporated in Pakistan as an unquoted public limited company and was engaged in generating, selling and distribution of electricity.

b) On March 18, 2005 the Board of Directors of the Company and former CPGL in their separate meetings approved a scheme of arrangement under sections 284 and 287 of the Companies Ordinance, 1984 for the amalgamation of the former CPGL into the Company.

The scheme was approved by the shareholders of the Company and former CPGL at their respective Extra Ordinary General Meetings held on June 03, 2005. The scheme was also sanctioned by the Honorable High Court of Sindh on June 29, 2005. A certified copy of the order of the Court sanctioning the scheme under Section 284 of the Companies Ordinance, 1984 was filed with the Registrar of Companies on June 30, 2005 (hereinafter referred to as 'Effective date').

c) The scheme envisages:

i) the transfer to and vesting in the Company of the whole undertaking of former CPGL inclusive of all its properties, assets, rights, liabilities, obligations and reserves as subsisting on July 01, 2004 (hereinafter referred to as 'Appointed Date')

ii) the issue of 707,550 shares of the Company in the ratio of 0.4717 ordinary share of Rs.10/- each credited as fully paid up for every one share held in former CPGL to minority shareholders of former CPGL, who were shareholders as on effective date. These ordinary shares shall rank pari passu with the existing ordinary shares of the Company in all respects and shall be entitled to all dividends declared after the effective date.

iii) the dissolution, without winding up, of former CPGL.

d) As the merger was finalized on June 29, 2005 the title of assets, banking arrangements and other contractual obligations of CPGL were in the process of being transferred to the Company and were not completed as at the date on which the financial statements were authorized for issue by the Board of Directors.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

During the year the SECP substituted the Fourth Schedule to the Companies Ordinance 1984, which is effective from the financial year ending on or after July 5, 2004. This has resulted in the change in accounting policy pertaining to recognition of dividends proposed subsequent to the year end (note 35) and certain reclassifications of previous year's figures (note 48).

Notes to the Financial Statements

for the year ended June 30, 2005

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for the measurement of derivative financial instruments at fair value and recognition of certain staff retirement benefits at present value.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Change in accounting policies

4.1.1 The Company has not recognized the final dividend proposed subsequent to the year end as a liability to comply with the requirements of revised Fourth Schedule to the Companies Ordinance, 1984 as referred in note 2. This change in policy has been accounted for retrospectively and comparative figures have been restated in accordance with the recommended benchmark treatment of IAS 8 'Net Profit and Loss for the Period, Fundamental Errors and changes in Accounting polices'. Had there been no change in policy, the unappropriated profit and the current liabilities for the year ended June 30, 2005 would have been lower and higher respectively by Rs 144.58 million (2004: Rs 141.40 million).

4.1.2 Effective from current financial year the Company has also changed its accounting policy for treatment of borrowing costs attributable to financing of major projects (Plant & machinery) . Now in accordance with the allowed alternative treatment of IAS 23 "Borrowing costs", the Company has capitalized borrowing cost on long-term loans attributable to the acquisition and construction of plant and machinery. All other borrowing costs are charged to income in the period in which these are incurred. This change results in a more appropriate presentation of borrowing costs in the Company's financial statements. Had there been no change, 'Capital work in progress' and 'Profit before tax' for the current year would have been lower by Rs 10.24 million.

The change in accounting policy has been applied prospectively as per allowed alternative treatment of IAS 8. Additional proforma comparative information has not been presented as financial effect related to prior periods is not considered material.

4.2 Property, plant and equipment

Tangible

These are stated at cost less accumulated depreciation and impairment, if any, 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. Depreciation on additions and disposals is charged on a pro-rata basis. Rates of depreciation, which are disclosed in note 5, are determined to write-off the cost over the estimated useful lives of the assets. The Company accounts for impairment, where indication exists, by reducing its carrying value to the estimated recoverable amount.

Normal repairs and maintenance costs are charged to the profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of fixed assets are taken to the profit and loss account.

Intangible

These are stated at cost less accumulated amortization and impairment, if any. Amortization is provided on a straight line basis at the rates disclosed in note 7 to the financial statements. The Company accounts for impairment, where indication exists, by reducing its carrying value to the estimated recoverable amount.

Notes to the Financial Statements

for the year ended June 30, 2005

4.3 Stores and spares

Stores and spares are stated at cost which is determined by using the moving average method except for those in transit which are valued at actual cost. Provision is made for slow moving and obsolete items.

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are classified as tangible fixed assets under "Plant and machinery" category and are depreciated over a time period not exceeding the useful lives of the related assets.

4.4 Stock-in-trade

Stock-in-trade, except for stock-in-transit, are valued at the lower of cost and net realizable value. Cost in relation to raw material is determined by using the moving average method except for stock in transit.

Stock-in-transit is valued at cost comprising invoice value plus other charges thereon.

Work-in-process and finished goods consist of the cost of direct materials and labour and a proportion of manufacturing overheads based on normal capacity.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make the sale.

4.5 Trade debts

Trade debts are recognized and carried at original invoice amount . An estimated provision for doubtful debt is made when collection of the full amount is no longer probable. Debts considered irrecoverable are written-off.

4.6 Other receivables

Other receivables are recognized at nominal amount which is fair value of the consideration to be received in future.

4.7 Taxation

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation on income. The charge for current tax also includes prior year adjustments, where considered necessary, arising due to assessment finalized during the year.

Deferred

Deferred tax is accounted for using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be used.

Deferred tax is calculated based on tax rates that have been enacted or substantively enacted upto the balance sheet date and are expected to apply to the period when the differences reverse. Deferred tax is charged or credited to the current year income.

4.8 Cash and bank balances

Cash in hand and at bank are carried at nominal amount.

Notes to the Financial Statements

for the year ended June 30, 2005

4.9 Impairment and uncollectivity of financial assets

The Company assesses at each balance sheet date whether there is any indication that financial instruments may be impaired. If such indication exists, the carrying amounts of such financial instruments are reviewed whether they are recorded in excess of their recoverable amount. Where carrying values exceed recoverable amount, financial instruments are written down to the recoverable amount and the difference is charged to profit and loss account.

4.10 Borrowings

Loans and borrowings are recorded at the proceeds received. Financial charges are accounted for on an accrual basis.

Effective from current financial year the Company has changed its accounting policy for treatment of borrowing costs attributable to financing of major projects (Plant & machinery) . Now in accordance with the allowed alternative treatment of IAS 23 "Borrowing cost", the Company capitalizes borrowing cost on long term loans attributable to the acquisition and construction of plant and machinery. All other borrowing costs are charged to income in the period in which these are incurred. The reason and effect of the change in the accounting policy has been disclosed in note 4.1.2.

4.11 Operating leases

Lease payments under operating leases are recognized as an expense in the profit and loss account on a straight line basis over the respective lease term.

4.12 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

4.13 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

4.14 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. Any gain or loss on derecognition of the financial assets and financial liabilities is included in current year income.

4.15 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.16 Derivative financial instruments

The Company enters into derivative financial instruments. These are initially recorded at cost and are remeasured to fair value at subsequent reporting dates. Any resulting gain or loss is recognized in current year income. Derivatives with positive market values are included in other receivables and derivatives with negative market values are included in other liabilities in the balance sheet.

Notes to the Financial Statements

for the year ended June 30, 2005

4.17 Foreign currency translation

Transactions in foreign currencies are converted into Pak rupees at the rates of exchange approximating those prevailing on the dates of transactions. Assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange approximating those prevailing at the balance sheet date. Exchange gains and losses are included in the current year income.

4.18 Staff retirement benefits

Defined benefit plan

The Company operates an approved defined gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions to the fund are made based on actuarial recommendations and in line with the provisions of the Income Tax Ordinance, 2001. The most recent actuarial valuation was carried out at June 30, 2005 using the projected unit credit method (note 36). Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses for the plan exceed 10% of the higher of defined benefit obligation and the fair value of plan assets. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Defined contribution plan

The Company contributes to a provident fund scheme which covers all permanent employees. Equal contributions are made by the Company and the employees.

4.19 Compensated absences

The Company accounts for compensated absences on unavailed balance of leave in the period in which the leaves are earned.

4.20 Revenue recognition

Sales are recorded on dispatch of goods to customers.

Dividend income is recognized when the right to receive the dividend is established.

Scrap sales are recognized when delivery is made to customers.

Profit on bank deposits is recognized on an accrual basis.

4.21 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and bank balances net of short-term borrowings.

Notes to the Financial Statements

for the year ended June 30, 2005

5. OPERATING FIXED ASSETS

The following is the statement of operating fixed assets:

Description	Note	Cost as at July 1, 2004	Additions	Disposals/ retirement *	Cost as at June 30, 2005	Accumulated depreciation as at July 1, 2004	Depreciation charge for the year	Disposals/ retirement *	Accumulated depreciation as at June 30, 2005	Book value as at June 30,2005	Depreciation rate %
		----------	----------	----------	----------	(Rupees in thousands)	----------	----------	----------	----------	
Freehold land		33,914	-	-	33,914	-	-	-	-	33,914	-
Buildings on freehold land		254,539	4,634	-	259,173	49,287	7,914	-	57,201	201,972	2.5 to 10
Leasehold improvements		6,995	-	-	6,995	1,166	1,399	-	2,565	4,430	20
Plant and machinery	5.2	2,279,855	317,453	(668) (8,685)*	2,587,955	1,011,870	189,201	(513) (7,655)*	1,192,903	1,395,052	5 to 20
Furniture and fixtures		13,501	972	(38)*	14,435	7,148	1,551	(38)*	8,661	5,774	10 to 20
Vehicles		12,675	7,369	(1,091)	18,953	2,594	3,056	(328)	5,322	13,631	20
Office equipments		3,426	361	(280) (491)*	3,016	2,249	473	(248) (491)*	1,983	1,033	10 to 33
Computers		17,578	1,730	(210) (150)*	18,948	10,635	2,953	(210) (150)*	13,228	5,720	33
2 0 0 5		2,622,483	332,519	(2,249) (9,364)*	2,943,389	1,084,949	206,547	(1,299) (8,334)*	1,281,863	1,661,526	
2 0 0 4		2,343,175	289,664	(2,315) (8,041)*	2,622,483	910,420	184,340	(2,255) (7,556)*	1,084,949	1,537,534	

* These represent items retired during the year and sold as bulk scrap. Consequently, it is not practicable to assign sale proceeds to these retired assets individually (see note 28.1).

5.1 The cost of fully depreciated tangible assets which are still in use as at June 30, 2005 is Rs. 367.73 million (2004: Rs. 172.82 million).

5.2 Included in plant and machinery are some items with a cost of Rs. 16.87 million [W.D.V. Rs. 10.69 million (2004: Rs. 16.87 million(W.D.V Rs. 12.24 million))] which have been installed outside the premises of the factory and which are not under the possession and control of the Company. However, the economic benefits associated with these assets are flowing to the Company.

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

	Note	2005	2004
		(Rupees in thousands)	
Cost of sales	27	196,978	177,337
General and administrative expenses	28	9,440	6,917
Selling and distribution expenses	29	129	86
		206,547	184,340

5.4 The following operating assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyers
	---------- (Rupees in thousands) ----------					
Plant and machinery	343	211	132	78	Negotiation	M/S. Arden Engineering Co.
Items having book value upto Rs. Fifty thousand	325	302	23	118		
	668	513	155	196		
Vehicle	795	93	702	769	--do--	Mr.Ahmed Ashraf (Ex-Employee)
Items having book value upto Rs. Fifty thousand	296	235	61	635	--do--	Various
	1,091	328	763	1,404		
Computers						
Items having book value upto Rs. Fifty thousand	210	210	-	80	--do--	Various
Office Equipments						
Items having book value upto Rs. Fifty thousand	280	248	32	35	--do--	Various
Total - 2 0 0 5	**2,249**	**1,299**	**950**	**1,715**		
Total - 2 0 0 4	2,315	2,255	60	867		

6 CAPITAL WORK IN PROGRESS

This comprise of:

	Note	2005	2004
		(Rupees in thousands)	
Civil works		30,143	12,922
Plant and machinery [including in transit of Rs. 5.15 million (2004: Rs. 4.53 million)]	4.1.2	362,358	123,656
Advances to suppliers		56,917	54,244
		449,418	190,822

6.1 An amount of Rs. 309.65 million (2004: Rs. 248.33 million) has been transferred to operating fixed assets during the year.

7 INTANGIBLE FIXED ASSETS

Description	Cost as at July 1, 2004	Additions	Cost as at June 30, 2005	Accumulated amortization as at July 1, 2004	Amortization charge for the year	Accumulated amortization as at June 30, 2005	Book value as at June 30, 2005	Amortization rate %
	---------- (Rupees in thousands) ----------							
Computer software	1,344	-	1,344	562	286	848	496	33.33
Total - 2 0 0 5	**1,344**	**-**	**1,344**	**562**	**286**	**848**	**496**	
Total - 2 0 0 4	493	851	1,344	389	173	562	782	

7.1 The cost of fully amortized intangible fixed assets which are still in use as at June 30, 2005 is Rs. 0.49 million (2004: Rs. 0.45 million).

STRIVE TOGETHER FOR EXCELLENCE

Notes to the Financial Statements

	Note	2005	2004
		(Rupees in thousands)	
8 LONG-TERM LOANS			
Unsecured-considered good			
Due from employees		225	355
Less: Current portion shown under current assets	13	192	243
		33	112

8.1 These loans are granted principally for purchase of motor vehicles to employees of the Company which do not carry mark-up, in accordance with their terms of employment excluding those who have been provided with Company maintained cars. The maximum amount due from employees at the end of any month during the year was Rs. 0.34 million (2004: Rs. 0.65 million). The loans are repayable over a period of five years.

	Note	2005	2004
9 LONG-TERM DEPOSITS			
Security deposits			
Leases		1,205	1,843
Others		745	794
		1,950	2,637
Less: Current portion shown under current assets	14	356	602
		1,594	2,035
10 STORES AND SPARES			
Stores		26,646	37,825
Spares			
in hand		142,935	143,447
in transit		225	1,882
		143,160	145,329
		169,806	183,154
Less: Provision for slow moving and obsolete items		12,500	11,500
		157,306	171,654
11 STOCK-IN-TRADE			
Raw materials			
in hand		263,142	222,289
in transit		30,353	1,322
		293,495	223,611
Work-in-process		34,368	31,815
Finished goods		7,264	6,934
		335,127	262,360
12 TRADE DEBTS			
Considered good			
Secured		10,681	6,810
Unsecured			
Due from related parties	12.1	22,433	11,599
Others		147,028	115,393
		169,461	126,992
		180,142	133,802

Notes to the Financial Statements
for the year ended June 30,2005

	Note	2005	2004
		(Rupees in thousands)	
12.1 This comprises amounts receivable from:			
Lakson Tobacco Company Limited		4,006	6,378
Colgate-Palmolive (Pakistan) Limited		788	2,556
Merit Packaging Limited		17,392	2,197
Tetley Clover (Private) Limited		247	468
		22,433	11,599

13 LOANS AND ADVANCES

	Note	2005	2004
Loans - considered good			
Current portion of long-term loans to employees	8	192	243
Advances - considered good			
to employees		772	306
to suppliers		8,420	5,684
others		529	-
		9,721	5,990
		9,913	6,233

14 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2005	2004
Current portion of long-term deposits	9	356	602
Prepayments		682	420
		1,038	1,022

15 OTHER RECEIVABLES

	Note	2005	2004
Profit receivable on bank deposit accounts		42	178
Sales tax receivable - net		15,328	2,138
Due from associated undertakings		30	190
Due from Employees gratuity fund	36.4	494	678
Others		575	746
		16,469	3,930

16 CASH AND BANK BALANCES

	Note	2005	2004
At banks			
in current accounts	16.1	11,373	6,689
in deposit accounts		9,401	35,153
		20,774	41,842
In hand			
Cheques		7,637	12,083
Cash		2,820	3,104
		31,231	57,029

16.1 Cash at banks in current accounts include US Dollars 17,850 (2004: US Dollars 17,850) held in foreign currency account.

Notes to the Financial Statements

for the year ended June 30, 2005

17 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Number of ordinary shares of Rs.10/- each 2005	2004		Note	2005	2004
				(Rupees in thousands)	
24,345,000	24,345,000	Fully paid in cash		243,450	243,450
		Issued as fully paid			
7,076,280	7,076,280	bonus shares		70,763	70,763
31,421,280	31,421,280			314,213	314,213
		Issued during the year under scheme of amalgamation	17.1	7,075	-
707,550	-				
32,128,830	31,421,280			321,288	314,213
		Shares held by			
12,977,115	12,269,565	associated companies		129,771	122,696

17.1 In accordance with the scheme of amalgamation as referred to in note 1.2 above, the Company has issued 707,550 ordinary shares of the nominal value of Rs. 10/= each to the minority shareholders of former CPGL during the year.

18 RESERVES

	2005	2004
Capital		
Share premium	85,045	85,045
Merger reserve	7,925	15,000
	92,970	100,045
Revenue		
General	916,750	826,000
Unappropriated profit	145,573	142,660
	1,062,323	968,660
	1,155,293	1,068,705

19 LONG-TERM FINANCING

	Note	2005	2004
Secured-from banking companies			
Utilized under mark-up arrangements			
Financed by			
Finance 1	19.1	15,555	46,667
Finance 2	19.2	246,154	369,231
Finance 3	19.3	260,000	60,000
Finance 4	19.4	150,000	-
		671,709	475,898
Less: Current portion shown under current liabilities		138,632	154,188
		533,077	321,710

Notes to the Financial Statements

for the year ended June 30, 2005

19.1 This facility has been obtained from Standard Chartered Bank amounting to Rs. 140 million (2004: Rs. 140 million) for purchase of plant and machinery. The rate of mark-up is 1.15% over the weighted average rate of State Bank of Pakistan's six months T-Bills auction of preceding quarter. The rate of mark-up on default is 25% per annum.

The finance facility is repayable in nine equal half yearly installments which commenced from December 2001. The purchase price of the facility is Rs. 265.21 million and the finance is secured by first pari passu hypothecation charge over present and future plant and machinery other than for those mentioned in note 19.2 to 19.4.

19.2 This syndicate finance facility has been obtained from a consortium of banks led by Standard Chartered Bank amounting to Rs. 400 million specifically for the expansion project.

The rate of mark-up is 1.15% over the cut-off yield on the last successful State Bank of Pakistan's six months T-Bills auction of preceding quarter. The rate of mark-up on default is 20% per annum. The tenor of financing is five years including eighteen months grace period. The finance facility is repayable in thirteen equal quarterly installments which commenced from June 2004. The purchase price of the facility is Rs. 680 million and the facility is secured by first pari passu hypothecation charge over specific fixed assets of expansion project with 25% margin.

19.3 This facility has been obtained from United Bank Limited amounting to Rs. 500 million specifically for new investment plans. The unutilized facility at the end of the year amounted to Rs. 240 million (2004:Rs. 440 million).

The rate of mark-up is 0.65% over the weighted average rate of State Bank of Pakistan's last three, 3 month T-Bills auctions of preceding quarter. The rate of mark-up on default is 12% per annum. However, the Company has entered into an interest rate swap agreement with United Bank Limited for a notional amount of Rs. 260 million amortizing up to June 2009. Under swap arrangement, the Company would receive average of last three cut off yields of three months Government treasury bills from bank on notional amount and pay at 7.67% per annum calculated on the outstanding notional amount over 365 days basis at quarterly settlement dates. The Company has the option of unwinding whole or part of the swap transaction at any quarterly settlement date with prior notice to bank. The tenor of financing is 5.25 years including twenty seven months grace period. The finance facility is repayable in twelve equal quarterly installments commencing from September 2006.

The purchase price of the facility is Rs. 609 million. The finance facility is secured by first exclusive hypothecation charge over the new investment project with 25% margin.

19.4 A long-term finance facility has been obtained from United Bank Limited amounting to Rs.150 million specifically for power generators. The rate of mark-up is 0.65% over the weighted average rate of the State Bank of Pakistan's last three, 3 months T-Bills auctions of preceding quarter. The rate of mark-up on default is 12% per annum. The tenor of financing is 5.25 years including eighteen months grace period. The finance facility is repayable in fourteen equal quarterly installments. The purchase price of the facility is Rs. 180.39 million. The facility is secured by first exclusive hypothecation charge over the power generators with 25% margin for maximum secured amount of Rs. 200 million.

Notes to the Financial Statements

for the year ended June 30, 2005

	Note	2005	2004
		(Rupees in thousands)	
20 DEFERRED TAXATION			
Deferred taxation	20.1	271,668	244,536

20.1 The net balance for deferred taxation is in respect of following temporary differences :

	2005	2004
Deferred tax liabilities:		
Accelerated tax depreciation allowance	275,870	248,176
Other	173	385
Deferred tax assets:		
Provision for slow moving and obsolete stores and spares	(4,375)	(4,025)
	271,668	244,536

21 TRADE AND OTHER PAYABLES

	Note	2005	2004
Creditors		61,722	52,547
Accrued liabilities		58,660	39,258
Customers' balances		10,905	9,552
Bills payable		9,031	-
Electricity duty payable		179	252
Workers' profit participation fund	21.1	20,205	21,468
Workers' welfare fund		6,865	6,017
Dividend payable	21.2	-	1,500
Unclaimed dividend		654	564
Other liabilities	21.3	6,558	6,451
		174,779	137,609

21.1 Workers' profit participation fund

	2005	2004
Balance as on July 01	21,468	22,936
Interest on fund utilized in Company's business	51	43
Allocation for the year	20,154	21,425
	41,673	44,404
Less: Amount paid during the year	21,468	22,936
Balance at June 30	20,205	21,468

21.2 It represent dividend payable by former CPGL to its minority shareholders before merger.

21.3 It includes an amount of Rs. Nil (2004: Rs 0.57 million) in respect of negative fair value of derivative financial instruments.

22 MARK-UP ACCRUED

	2005	2004
Mark-up accrued on secured:		
long-term financing	826	7
short-term borrowings	909	447
	1,735	454

Notes to the Financial Statements

for the year ended June 30, 2005

	Note	2005	2004
		(Rupees in thousands)	
23 SHORT TERM BORROWINGS			
From Banking Companies - secured			
Running finance	23.1 & 23.3	119,209	105,310
Import credit finance	23.2 & 23.3	83,873	-
		203,082	105,310

23.1 The Company has aggregate short term running finance facilities amounting to Rs. 538 million (2004: Rs. 538 million) from commercial banks on mark-up basis. Rates, net of the prompt payment rebate,are linked with KIBOR from one to six months plus spread ranging from 0.16% to 1.20% per annum. The unutilized facility at the end of the year is Rs. 335 million (2004: Rs.433 million). The purchase prices and mark-up amounts are payable by June 30, 2005.

23.2 An amount of US Dollars 1.41 million (2004: Nil) from banks for settlement of import bills is outstanding as at balance sheet date. This facility is priced at LIBOR plus spread ranging between 0.75% to 1.00% per annum.

23.3 Above arrangements are secured by way of pari passu hypothecation charge created on stock-in-trade, stores and spares and trade debts of the Company.

23.4 Additionally the Company has the facilities for opening of letters of credit and guarantees amounting to Rs 979 million (2004: Rs. 1,004 million) out of which Rs. 592 million (2004: Rs. 715 million) remained unutilized at the balance sheet date.

24 TAXATION - NET

The income tax assessments of the Company have been finalized upto tax year 2004 (accounting year ended June 30, 2004) and adequate provisions have been made in these financial statements for the year ended June 30, 2005 (Tax year 2005).

25 CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

a) The Company is contesting certain legal cases in the Honourable Supreme Court mainly relating to sales tax on:

a) Alleged wrong adjustment of input tax
b) Wrong input tax adjustment on some items of stores and spares
c) Non payment of fixed sales tax .

The writ petitions of the Company against the above cases were initially decided by the Sales Tax Tribunal and Honourable Lahore High Court in favour of the Company and the Sales Tax Department filed an appeal against their orders in the Honourable Supreme Court of Pakistan. The Company's management and legal advisors are hopeful of a favourable outcome and in their opinion the Company does not face any financial exposure. Accordingly, no provision has been made in the financial statements against the demand raised by the Sales Tax Department amounting to Rs. 45.18 million including additional sales tax and penalties in respect of the above matters.

b) Guarantees have been issued by banks on behalf of the Company in the normal course of business aggregating to Rs. 109.64 million (2004: Rs. 68.07 million).

25.2 Commitments

The Company was committed as at the balance sheet date as follows:

a) Letters of credit and contracts other than for capital expenditure at the end of the year amounting to Rs.70.61 million (2004: Rs. 126.31 million).

b) Capital expenditure including letters of credit amounting to Rs. 401.62 million (2004: Rs.340.81 million).

c) Rentals under lease agreements in respect of vehicles as follows:

	Note	2005	2004
		(Rupees in thousands)	
Within one year		2,535	3,706
After one year but not more than five years		2,995	5,502
		5,530	9,208

26 SALES

Gross sales		3,452,823	3,013,488
Less: Sales tax		443,045	393,164
		3,009,778	2,620,324

27 COST OF SALES

	Note	2005	2004
Materials consumed		1,490,818	1,241,380
Salaries, wages and other benefits	27.1	132,821	124,382
Fuel and power		456,583	379,062
Electricity duty		2,447	2,827
Insurance		14,920	12,899
Repairs and maintenance	27.2	167,502	165,582
Lease rentals		1,381	2,048
Packing expenses		54,048	52,557
Depreciation	5.3	196,978	177,337
Security services charges		2,654	2,721
Printing, stationery and periodicals		1,112	1,663
Communication		601	727
Travelling and conveyance		1,379	1,288
Provision for slow moving and obsolete stores & spares		4,265	-
Recovery of by-product		(6,657)	(5,780)
		2,520,852	2,158,693
Work-in-process			
Opening		31,815	21,692
Closing		(34,368)	(31,815)
		(2,553)	(10,123)
Cost of goods manufactured		2,518,299	2,148,570
Finished goods			
Opening stock		6,934	4,484
Closing stock		(7,264)	(6,934)
		(330)	(2,450)
		2,517,969	2,146,120

27.1 Salaries, wages and other benefits include Rs. 6.53 million (2004: Rs. 6.29 million) in respect of staff retirement benefits.

27.2 Repairs and maintenance includes Rs. 140 million (2004: Rs. 144 million) in respect of stores and spares consumed.

	Note	2005	2004
		(Rupees in thousands)	
28 GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries and other benefits	28.1	38,994	36,771
Insurance		2,116	2,093
Repairs and maintenance		1,435	1,455
Lease rentals		1,514	1,683
Electricity		1,744	1,645
Depreciation	5.3	9,440	6,917
Amortization of intangible fixed assets	7	286	173
Fees and subscription		1,501	686
Advertisement and publicity		668	374
Travelling and conveyance		1,814	1,752
Rent, rates and taxes		4,672	4,495
Security service charges		92	92
Printing, stationery and periodicals		1,447	1,278
Communication		4,260	4,836
Business promotion expenses		876	425
Others		306	237
		71,165	64,912

28.1 Salaries and other benefits include Rs. 2.47 million (2004: Rs. 2.37 million) in respect of staff retirement benefits.

	Note	2005	2004
29 SELLING AND DISTRIBUTION EXPENSES			
Salaries and other benefits	29.1	7,023	6,256
Insurance		147	168
Repairs and maintenance		261	348
Lease rentals		444	493
Electricity		264	281
Depreciation	5.3	129	86
Advertisement and publicity		50	-
Bad debt written off		80	-
Travelling and conveyance		823	979
Rent, rates and taxes		238	185
Printing, stationery and periodicals		2	3
Communication		353	366
Outward freight		6,191	4,022
		16,005	13,187

29.1 Salaries and other benefits include Rs. 0.49 million (2004: Rs. 0.44 million) in respect of staff retirement benefits.

Notes to the Financial Statements

for the year ended June 30, 2005

	Note	2005	2004
		(Rupees in thousands)	
30 OTHER OPERATING INCOME			
Income from financial assets			
Profit on bank deposit accounts		677	1,577
Net exchange gain		902	-
		1,579	1,577
Income from non-financial assets			
Sale of scrap	30.1	15,850	16,041
Profit on sale of fixed assets - net		765	807
Insurance agency commission from associated company		3,676	3,174
Provision and unclaimed liabilities written back		437	-
Others		512	1,528
		21,240	21,550
		22,819	23,127

30.1 This is stated net of Rs. 1.03 million (2004: Rs. 0.48 million) being the written down value of fixed assets sold as bulk scrap during the year (refer note 5).

	Note	2005	2004
31 OTHER OPERATING CHARGES			
Legal and professional charges		1,820	651
Auditors' remuneration			
Audit fee		400	475
Taxation services		-	415
Special reports and sundry services		136	226
Out-of-pocket expenses		-	83
		536	1,199
Net exchange loss		-	1,095
Workers' profit participation fund	21.1	20,154	21,425
Workers' welfare fund		6,460	5,008
		28,970	29,378

Notes to the Financial Statements

for the year ended June 30, 2005

	Note	2005	2004
		(Rupees in thousands)	
32 FINANCIAL CHARGES			
Mark-up on:			
Long term financing	32.1	16,865	16,270
Short term borrowings		3,224	3,784
Finance lease		-	233
Workers' profit participation fund		51	43
		20,140	20,330
Bank charges and commission		1,876	2,442
		22,016	22,772

32.1 An amount of Rs. 10.24 million has been shown under the head "Capital Work in Progress " due to change in accounting policy during the year as fully explained in note: 4.1.2.

33 TAXATION

	2005	2004
For the year		
Current	114,505	100,776
Deferred	20,031	24,840
	134,536	125,616
For prior year		
Current	(2,474)	(23,298)
Deferred	7,101	-
	4,627	(23,298)
	139,163	102,318

33.1 Numerical reconciliation between the applicable tax rate and average effective tax rate is as follows:

	2005 %age	2004 %age
Applicable tax rate	35.00	35.00
Tax effect of expenses that are not deductible in determining taxable profit	0.74	2.56
Tax effect of applicability of lower tax rate on dividend income	-	(3.34)
Effect of change in prior year tax	1.22	(6.35)
	1.96	(7.13)
Average effective tax rate	36.96	27.87

	2005	2004
	(Rupees in thousands)	

34 EARNINGS PER SHARE - BASIC AND DILUTED

There is no diluted effect on the basic earnings per share of the Company, which is based on:

	2005	2004
Profit after taxation	237,309	264,764
Weighted average number of ordinary shares (in thousands)	32,129	32,129
Earnings per share (Rupees)	7.39	8.24

35 PROPOSED AND DECLARED DIVIDEND

The Board of Directors have proposed a final dividend for the year ended June 30, 2005 of Rs 4.50 per share amounting to Rs 144.58 million at their meeting held on July 25, 2005 for approval of the members at the Annual General Meeting to be held on August 30, 2005. These financial statements do not reflect this dividend, as explained in note 4.1.1.

36 DEFINED BENEFIT PLAN

36.1 General description

The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of last drawn basic salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at June 30, 2005, using the Projected Unit Credit Method.

36.2 Principal actuarial assumptions

Following are a few important actuarial assumptions used in the valuation:	2005	2004
Discount rate (%)	9	8
Expected rate of return on plan assets (%)	8	7.30 & 10
Expected rate of increase in salary (%)	8	8
Average expected remaining working life time of employees (years)	8	8

36.3 Reconciliation of due (from)/to defined benefit plan

	2005	2004
	(Rupees in thousands)	
Present value of defined benefit obligation	49,645	41,431
Fair value of plan assets	(53,236)	(43,261)
	(3,591)	(1,830)
Net actuarial gain to be recognized in later periods	3,097	1,171
Past service cost to be recognized in later periods	-	(19)
Closing net assets	(494)	(678)

Notes to the Financial Statements

for the year ended June 30, 2005

	Note	2005	2004
		(Rupees in thousands)	
36.4 Movement of the (asset)/liability recognized in the balance sheet			
Opening net (asset)/liability		(678)	84
Charge for the year	36.5	3,441	3,311
Contribution to fund made during the year		(3,257)	(4,073)
Closing net asset	15	(494)	(678)
36.5 Charge for the year			
Current service cost		3,568	3,076
Interest cost		3,315	2,273
Expected return on plan assets		(3,461)	(2,455)
Past service cost charge		19	417
Charge for the year		3,441	3,311
Actual return on plan assets		8,936	5,963

37 CASH GENERATED FROM OPERATIONS

	Note	2005	2004
Profit before taxation		376,472	367,082
Adjustment for non-cash charges and other items:			
Depreciation		206,547	184,340
Amortization of intangible fixed assets		286	173
Profit on sale of fixed assets		(765)	(807)
Fixed assets retired (net book value)		1,030	485
Provision for gratuity		3,441	3,311
Provision for slow moving and obsolete stores & spares		4,265	-
Profit on bank deposit accounts		(677)	(1,535)
Financial charges		22,016	22,772
Working capital changes	37.1	(87,001)	(118,463)
		525,614	457,358

37.1 Working capital changes

		2005	2004
(Increase)/decrease in current assets:			
Stores and spares		10,083	(6,583)
Stock-in-trade		(72,767)	(61,372)
Trade debts		(46,340)	(28,641)
Loans and advances		(3,680)	502
Trade deposits and short-term prepayments		(16)	4,632
Other receivables		(12,860)	(1,006)
		(125,580)	(92,468)
Increase/(Decrease) in current liabilities:			
Trade and other payables (excluding , unclaimed dividend and dividend payable)		38,579	(25,995)
		(87,001)	(118,463)

38 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration, including all benefits to Chief Executive and executives of the Company are as follows:

	2005			2004		
	Chief Executive	Executives	Total	Chief Executive	Executives	Total
	(Rupees in thousands)					
Managerial remuneration	1,998	5,918	7,916	1,742	3,644	5,386
House rent	669	2,070	2,739	582	1,226	1,808
Bonus	319	755	1,074	339	717	1,056
Staff retirement benefits	512	867	1,379	399	641	1,040
Utilities	191	576	767	166	350	516
Others	9	60	69	9	34	43
Total	3,698	10,246	13,944	3,237	6,612	9,849
Number of persons	1	7	8	1	4	5

(a) Aggregate amount charged in these financial statements in respect of directors' fee is Rs. 3,500 (2004: Rs. 2,000).

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

39 TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise group companies, other associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the terms of their employment (note 38) are as under:

Relation with the Company	Nature of transaction	2005	2004
		(Rupees in thousands)	
Associated companies	Sales of goods and services	434,438	277,859
	Purchase of goods and services	32,436	34,943
	Rent and other allied charges	4,790	3,912
	Insurance agency commission	4,280	3,174
	Dividends paid	58,963	33,568
	Shares issued	7,075	-
Retirement benefit plans	Contribution to staff retirement benefit plans	9,534	9,860

Notes to the Financial Statements

for the year ended June 30, 2005

40 CAPACITY AND PRODUCTION - TONNES

	2005		2004	
	Annual capacity on three shifts	Actual production	Annual capacity on three shifts	Actual production
Paper and paper board production	80,000	81,787	80,000	78,390
Paper and paper board conversion	12,000	6,357	12,000	3,824

41 LIQUIDITY RISK

Liquidity risk is the risk that an entity will be unable to meet its funding requirements. To guard against this risk, the Company has diversified funding sources and assets are managed with liquidity in mind. The maturity profile is monitored to ensure that adequate liquidity position is maintained.

42 YIELD/MARK-UP RATE RISK

Yield/mark-up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield/mark-up rates. Sensitivity to yield/mark-up rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies whereby significant changes in gap position can be adjusted. The Company is exposed to yield/mark-up rate risk in respect of the following:

	2005					
	Effective yield / mark-up rate %	Total	Exposed to yield/mark-up rate risk Maturity upto one year	Maturity after one year	Sub-total	Not exposed yield / mark-up rate risk
	------ (Rupees in thousands) ------					
Financial assets						
Long-term loans		225	-	-	-	225
Long-term deposits		745	-	-	-	745
Trade debts		180,142	-	-	-	180,142
Other receivables		647	-	-	-	647
Cash and bank balances	3.04	31,231	9,401	-	9,401	21,830
		212,990	9,401	-	9,401	203,589
Financial liabilities						
Long-term financing	4.90	671,709	138,632	533,077	671,709	-
Trade and other payables		136,406	-	-	-	136,406
Mark up accrued		1,735	-	-	-	1,735
Short-term borrowings	4.16	203,082	203,082	-	203,082	-
		1,012,932	314,714	533,077	874,791	138,141
Off Balance sheet Items						
Financial commitments:						
Letter of credits		70,610	-	-	-	70,610
Capital Commitment including letter of credits		401,620	-	-	-	401,620
Commitments for rental under operating lease		5,530	-	-	-	5,530
		1,490,692	341,714	533,077	874,791	615,901
Total yield / mark-up rate risk sensitivity gap		(1,277,702)	(332,313)	(533,077)	(865,390)	
Cumulative yield / mark-up rate risk sensitivity gap					(865,390)	

STRIVE TOGETHER FOR EXCELLENCE

	2004					
	Effective yield / mark-up rate %	Total	Exposed to yield/mark-up rate risk Maturity upto one year	Maturity after one year	Sub-total	Not exposed yield / mark-up rate risk
	---- (Rupees in thousands) ----					
Financial assets						
Long-term loans		355	-	-	-	355
Long-term deposits		794	-	-	-	794
Trade debts		133,802	-	-	-	133,802
Other receivables		1,114	-	-	-	1,114
Cash and bank balances	2.93	57,029	35,153	-	35,153	21,876
		193,094	35,153	-	35,153	157,941
Financial liabilities						
Long-term financing	3.45	475,898	154,188	321,710	475,898	-
Trade and other payables		100,176	-	-	-	100,176
Mark up accrued		454				454
Short-term borrowings	2.57	105,310	105,310		105,310	-
		681,838	259,498	321,710	581,208	100,630
Off Balance sheet Items						
Financial commitments:						
Letter of credits		126,310	-	-	-	126,310
Capital Commitment including letter of credits		105,090	-	-	-	105,090
Commitments for rental under operating lease		9,208	-	-	-	9,208
		922,446	259,498	321,710	581,208	341,238
Total yield/mark-up rate risk sensitivity gap		(729,352)	(224,345)	(321,710)	(546,055)	
Cumulative yield/mark-up rate risk sensitivity gap					(546,055)	

43 CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is exposed to credit risk on loans, deposits, trade debts and other receivables. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. Details of composition of loans, deposits, advances, trade debts and other receivables portfolios and their concentrations are given below:

	2005				2004			
	Loans and deposits	Trade debts	Others	Total	Loans and deposits	Trade debts	Others	Total
	(Rupees in thousands)							
Fuel and energy	614	-	-	614	614	-	-	614
Leasing companies	1,205	-	-	1,205	1,843	-	-	1,843
Financial	-	-	42	42	-	-	178	178
Tobacco	-	4,111	-	4,111	-	9,296	-	9,296
Printing and packaging	-	83,524	-	83,524	-	13,698	-	13,698
Match	-	15,079	-	15,079	-	25,908	-	25,908
Publishing	-	7,406	-	7,406	-	1,428	-	1,428
FMCG	-	22,082	-	22,082	-	12,646	-	12,646
Merchants	-	44,534	-	44,534	-	57,579	-	57,579
Textile spinning	-	2,646	-	2,646	-	839	-	839
Others	356	760	605	1,721	535	12,408	936	13,879
	2,175	180,142	647	182,964	2,992	133,802	1,114	137,908

44 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. On-balance sheet items exposed to foreign currency risk consists of Bank balances, Import credit finance and Foreign bills payable amounting to Rs. 1.06 million (2004: 1.04) Rs. 83.87 million (2004: Nil) and Rs. 9.03 million (2004: Nil) respectively. Off-balance sheet items exposed to foreign currency risk consist of commitments under letters of credit amounting to Rs. 275.99. million (2004: 136.20 million).

45 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Notes to the Financial Statements

for the year ended June 30, 2005

		2005	2004
46	**NUMBER OF EMPLOYEES**		
	Total number of employees at June 30	953	974

47 EFFECT OF MERGER ON COMPARATIVE FIGURES

The comparative figures in these financial statements reflect the combined effect of amalgamated entities under "Pooling of interest" method. These figures have been combined on line by line basis after adjusting the effect of transactions and balances between the amalgamated companies. Share capital held by minority shareholders of the former CPGL has been shown under the head "Merger Reserve" w.e.f July 01, 2003 and separately disclosed in "Statement of Changes in Equity". However, comparative figures as shown in previous year financial statements of the Company are given below:

	Rupees in thousands
ASSETS	
NON CURRENT ASSETS	
Tangible fixed assets	
Operating fixed assets	1,429,312
Capital work in progress	162,417
	1,591,729
Intangible fixed assets	782
Long-term Investment	100,000
Long-term loans	112
Long-term deposits	2,035
	1,694,658
CURRENT ASSETS	
Stores and spares	133,450
Stock-in-trade	262,360
Trade debts	133,802
Loans and advances and others receivables	16,105
Deposits and prepayments	951
Cash and bank balances	24,592
	571,260
TOTAL ASSETS	2,265,918

Notes to the Financial Statements

for the year ended June 30, 2005

	Rupees in thousands
EQUITY AND LIABILITIES	
SHARE CAPITAL AND RESERVES	
Authorized capital	350,000
Issued, subscribed and paid-up capital	314,213
Reserves	800,776
	1,114,989
NON CURRENT LIABILITIES	
Long-term finances	321,710
Long-term and deferred liabilities	244,772
	566,482
CURRENT LIABILITIES	
Current portion of - long-term finances	154,188
Short-term finances	105,310
Creditors, accrued and other liabilities	163,382
Taxation - net	20,171
Proposed final dividend	141,396
	584,447
CONTINGENCIES AND COMMITMENTS	
TOTAL EQUITY AND LIABILITIES	2,265,918
Sales	2,620,324
Cost of goods sold	(2,193,543)
Gross profit	426,781
Other income	21,075
Administrative, selling and distribution expenses	(76,166)
Other charges	(26,794)
Operating profit	344,896
Financial charges	(22,586)
Dividend income from subsidiary company	35,000
Profit before taxation	357,310
Taxation	(101,689)
Profit after taxation	255,621
Earnings per share - basic and diluted (Rupees)	8.14

Notes to the Financial Statements

for the year ended June 30, 2005

48 CORRESPONDING FIGURES

Consequent to substitution of Fourth Schedule to the Companies Ordinance 1984, previous year figures have been re-arranged and re-classified wherever necessary for the purposes of comparison. Major changes made during the year were as follows:

i) Consequent to change in treatment of proposed dividend as referred to in note 4.1.1, corresponding figures of dividend has been restated.

ii) Other receivables previously presented as 'Loan, advances and other receivables' have been classified separately.

iii) Mark up accrued previously included in 'creditors, accrued and other liabilities' have been classified separately.

iv) Selling and distribution expenses previously included in the 'Administrative, selling and distribution expenses' have been classified separately.

v) Consequent to change in definition of executive in substituted Fourth Schedule to the Companies Ordinance, 1984, corresponding figures of remuneration of executives as referred to in note 38 have been restated.

49 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on July 25, 2005 by the Board of Directors of the Company.

50 GENERAL

Amounts have been rounded off to the nearest thousands of rupees.

Iqbal Ali Lakhani
Chairman

M. Rafi Chawla
Chief Executive

Pattern of Holding of Shares Held by the Shareholders

for the year ended June 30, 2005

Incorporation Number: K-54/8182 of 1984

NO. OF SHAREHOLDERS	SHAREHOLDING FROM	TO		TOTAL SHARES HELD
160	1	100	Shares	7,457
163	101	500	Shares	49,937
119	501	1,000	Shares	101,126
143	1,001	5,000	Shares	361,427
25	5,001	10,000	Shares	215,788
15	10,001	15,000	Shares	178,949
2	15,001	20,000	Shares	35,871
5	20,001	25,000	Shares	109,774
1	45,001	50,000	Shares	47,482
1	50,001	55,000	Shares	54,500
4	55,001	60,000	Shares	230,677
1	60,001	65,000	Shares	60,800
1	90,001	95,000	Shares	95,000
1	110,001	115,000	Shares	113,498
2	120,001	125,000	Shares	247,029
1	130,001	135,000	Shares	133,100
2	135,001	140,000	Shares	279,492
1	145,001	150,000	Shares	148,500
1	165,001	170,000	Shares	166,107
1	170,001	175,000	Shares	173,215
1	175,001	180,000	Shares	175,730
1	195,001	200,000	Shares	199,300
1	210,001	215,000	Shares	210,723
1	215,001	220,000	Shares	215,514
1	225,001	230,000	Shares	229,500
1	230,001	235,000	Shares	234,100
2	260,001	265,000	Shares	528,710
1	270,001	275,000	Shares	272,150
1	330,001	335,000	Shares	334,700
1	355,001	360,000	Shares	355,100
1	445,001	450,000	Shares	446,001
1	755,001	760,000	Shares	755,700
2	1,030,001	1,035,000	Shares	2,066,750
1	1,060,001	1,065,000	Shares	1,060,153
1	1,220,001	1,225,000	Shares	1,220,940
1	1,315,001	1,320,000	Shares	1,320,000
1	1,740,001	1,745,000	Shares	1,742,597
1	2,605,001	2,610,000	Shares	2,605,521
1	3,850,001	3,855,000	Shares	3,851,768
1	5,120,001	5,125,000	Shares	5,123,669
1	6,370,001	6,375,000	Shares	6,370,475
672			TOTAL	32,128,830

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive, and their spouse and minor children	1,038,149	3.23
Associated Companies, undertakings and related parties	12,551,641	39.07
NIT and ICP	5,130,173	15.97
Bank, Development Financial Institutions, Non Banking Financial Institutions	7,527,919	23.43
Insurance Companies	1,467,260	4.57
Modarabas and Mutual Funds	1,070,320	3.33
Share holders holding 10%	15,347,096	47.77
General Public		
a. Local	3,280,039	10.21
b. Foreign	48,500	0.15
Joint Stock Companies	1,209,585	3.76
Wakf	9,500	0.03

M. RAFI CHAWLA
Chief Executive

Note: Some of the shareholders are reflected in more than one category.

STRIVE TOGETHER FOR EXCELLENCE

Details of Pattern of Shareholding as per Requirements of Code of Corporate Governance

for the year ended June 30, 2005

ASSOCIATED COMPANIES		SHARES HELD
M/s. SIZA (Private) Limited		6,370,475
M/s. SIZA Services (Private) Limited		2,605,521
M/s. SIZA Commodities (Private) Limited		1,742,597
M/s. Accuray Surgicals Limited		1,220,940
M/s. Premier Fashions (Private) Limited		446,001
M/s. Century Insurance Company Limited		166,107
NIT AND ICP		
National Bank of Pakistan, Trustee Wing		5,124,853
Investment Corporation of Pakistan		5,320
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN		
Mr. Iqbal Ali Lakhani	Director	264,355
Mr. Zulfiqar Ali Lakhani	Director	173,215
Mr. Amin Mohammed Lakhani	Director	124,742
Mr. M. Rafi Chawla	Director/Chief Executive	736
Mr. Tasleemuddin Ahmed Batlay	Director	901
Mr. Aziz Ebrahim	Director	736
Mr. Syed Shabahat Hussain - Nominee (NIT)		-
Mrs. Ronak Iqbal Ali Lakhani W/o. Mr. Iqbal Ali Lakhani		113,498
Mrs. Fatima Zulfiqar Ali Lakhani W/o. Mr. Zulfiqar Ali Lakhani		139,492
Mrs. Saira Amin Mohammed Lakhani W/o. Mr. Amin Mohammed Lakhani		215,514
Mrs. Humaira Chawla W/o. Mr. M. Rafi Chawla		1,633
EXECUTIVE		1,244
PUBLIC SECTOR COMPANIES AND CORPORATIONS		NIL
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS INSURANCE COMPANIES MODARABAS AND MUTUAL FUNDS		10,065,499
SHAREHOLDERS HOLDING 10%		
M/s. SIZA (Private) Limited		6,370,475
National Bank of Pakistan, Trustee Wing		5,124,853
M/s. Fabron Pte Limited		3,851,768