Century Paper & Board Mills Limited

Clean - Green - Sustainable

Annual Report 2011

Theme

The theme of this year s annual report is focussed on the human capital of the Century Paper. This capital does not appear on the balance sheet but without it, materials cannot be transformed into high quality products by the machines. It is hoped that stakeholders, confidence will further enhance by having the information about our human capital.

Contents

Vision and Mission	02
Core Values	03
Key Figures and Ratios	07
Corporate Information	08
Notice of Annual General Meeting	09
Milestones	12
Certifications and Awards	14
Business Ethics and Practices	15
Environment, Safety and Quality Policy	16
Statement of Value Added	17
Summarized Six Year Data	20
Financial Performance	22
Horizontal and Vertical Analysis	24
Board of Directors	30
Chairman s Message	32
Directors Report	33
Statement of Compliance with the Code of Corporate Governance	42
Auditors' Review Report on Statement of Compliance	44
Auditors Report to the Members	47
Balance Sheet	48
Profit and Loss Account	49
Statement of Comprehensive Income	50
Cash Flow Statement	51
Statement of Changes in Equity	52
Notes to the Financial Statements	53
Shareholding Pattern	83
Form of Proxy	

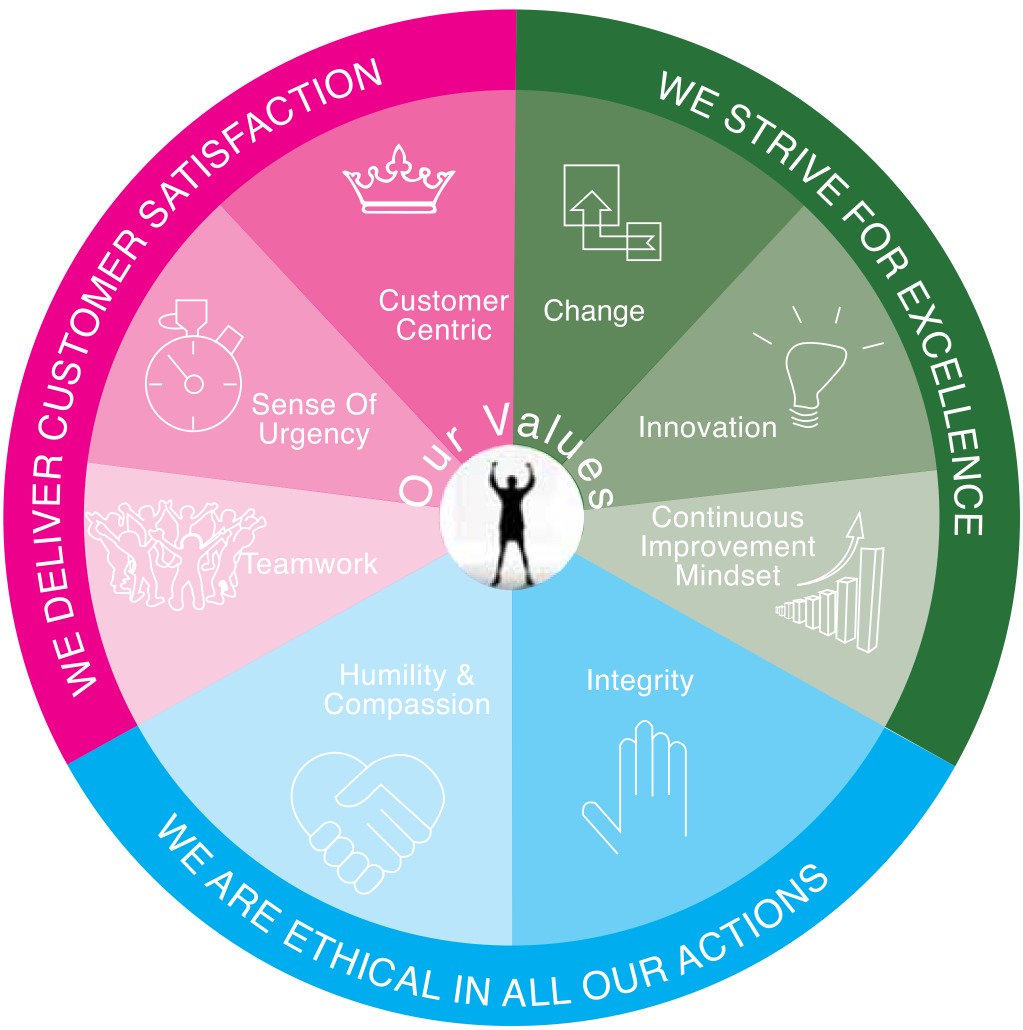
Vision

To be the market leader and an enduring force in the paper, board and packaging industry, positively influencing and providing value to our stakeholders, society and our nation.

Mission

To strive incessantly for excellence and sustain our position as a preferred supplier of quality paper, board and packaging material within a team environment and with a customer focused strategy.

Core Values



WE DELIVER CUSTOMER SATISFACTION
WE STRIVE FOR EXCELLENCE
WE ARE ETHICAL IN ALL OUR ACTIONS
Our Values
Customer Centric
Change
Sense Of Urgency
Innovation
Teamwork
Continuous Improvement Mindset
Humility & Compassion
Integrity

The Organization

Aftab Ahmad
Chief Executive Officer

Strength

Management 64
Executives 199
Supervisors 368
Operating Staff 1,079
Total 1,710

Experience (years)

Management 1,505
Executives 2,703
Supervisors 5,745
Operating Staff 7,979
Total 17,931

Qualification

Professionals 126
Technical 282
Master/Graduates 124
Skilled Workers 1,178

Finance

Strength

- Management 14
- Executives 21
- Supervisors 11
- Operating Staff 5

Total 51

Experience (years)

- Management 275
- Executives 328
- Supervisors 97
- Operating Staff 26

Total 726

Qualification

- CA/ICMA/ACCA 9
- MBA/MPA/MBE 4
- Technical 4
- Master/Graduates 28
- Skilled Workers 6

Syed Ahmad Ashraf
Chief Financial Officer

Highlights of 2011

Net sales
Up by
21%

Operating profit
Up by
40%

Profit after tax
Up by
957%

Equity
Up by
8%

EBITDA
Up by
25%

Financial charges
Down by
16%

Earnings per share
Up by
Rs. 3.20

Long-term debts
Down by
Rs. 850 million

Key Figures

	2011	2010
	(Rupees in million)	
Gross sales	13,959	11,323
Net sales	11,779	9,702
Profit pre tax	735	71
Profit post tax	405	42
EBITDA	2,452	1,966
Share capital		
Ordinary shares	707	707
Preference shares	3,004	3,004
Shareholders equity	5,300	4,895
Total assets	14,069	14,069
Capital expenditure	238	174
Capital employed	10,524	10,970
Long-term financing	5,225	6,075

Key Ratios

	2011	2010
Earnings / (loss) per share - Rupees	0.21	(2.99)
Debt equity ratio	40 : 60	46 : 54
Leverage ratio	1.23 : 1	1.39 : 1
Current ratio	1.06 : 1	0.99 : 1
Quick ratio	0.20 : 1	0.26 : 1
Asset coverage ratio	2.69 : 1	2.32 : 1
Interest coverage ratio	1.76 : 1	1.06 : 1
Debt servicing coverage ratio	1.35 : 1	1.24 : 1
Debtors turnover - Days	20	20
Inventory turnover - Days	85	71
Price earning ratio	73.33 : 1	(5.35) : 1
Breakup value per share - Rupees	32.48	26.75

Corporate Information

Board of Directors

Iqbal Ali Lakhani (Chairman)
Zulfiqar Ali Lakhani
Amin Mohammed Lakhani
Tasleemuddin Ahmed Batlay
A. Aziz H. Ebrahim
Shahid Ahmed Khan
Kemal Shoaib - Nominee Director (NIT)

Advisor

Sultan Ali Lakhani

Chief Executive Officer

Aftab Ahmad
Email: aftab-ahmad@centurypaper.com.pk

Chief Financial Officer

Syed Ahmad Ashraf
Email: ahmad-ashraf@centurypaper.com.pk

Audit Committee

Zulfiqar Ali Lakhani (Chairman)
Amin Mohammed Lakhani
Tasleemuddin Ahmed Batlay

Executive Committee

Iqbal Ali Lakhani (Chairman)
Aftab Ahmad (Chief Executive Officer)
Tanveer Ahmad Khalid (GM - Marketing)

Company Secretary

Mansoor Ahmed
Email: mansoor-ahmed@centurypaper.com.pk

External Auditors

BDO Ebrahim & Co.
Chartered Accountants
2nd Floor, Block C, Lakson Square Building No. 1,
Sarwar Shaheed Road, Karachi 74200
Email: info@bdoebrahim.com.pk
Website: www.bdoebrahim.com.pk

Head Office & Registered Office

Lakson Square Building No. 2,
Sarwar Shaheed Road,
Karachi - 74200, Pakistan.
Phone: (021) 35698000
Fax: (021) 35681163, 35683410
Email: info@centurypaper.com.pk
Website: www.centurypaper.com.pk

Lahore Office

14-Ali Block, New Garden Town,
Lahore - 54600, Pakistan.
Phones: (042) 35886801-4
Fax: (042) 35830338

Mills

62 KM, Lahore-Multan Highway, N-5,
District Kasur, Pakistan.
Phones: (049) 4511464-5,
(049) 4510061-2
Fax: (049) 4510063

Shares Registrar

FAMCO Associates (Private) Limited
State Life Building No. 1-A,
First Floor, I.I.Chundrigar Road, Karachi.
Website: www.famco.com.pk

Bankers

Allied Bank Limited
Barclays Bank PLC
Faysal Bank Limited
Habib Bank Limited
HSBC Bank Middle East Limited
JS Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Oman International Bank S. A. O. G
Standard Chartered Bank (Pakistan) Limited
Soneri Bank Limited
Habib Metropolitan Bank Limited

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 28th Annual General Meeting of CENTURY PAPER & BOARD MILLS LIMITED will be held on Monday October 17, 2011 at 10:30 a.m. at Avari Towers Hotel, Fatima Jinnah Road, Karachi to transact the following business :

1. To receive, consider and adopt the audited financial statements for the year ended June 30, 2011 with the Directors and Auditors reports thereon.

2. To appoint Auditors and fix their remuneration.

By Order of the Board

(MANSOOR AHMED)
Company Secretary

Dated : September 12, 2011

NOTES

1. The share transfer books of the Company will remain closed from October 11, 2011 to October 17, 2011 (both days inclusive). Transfers received by the Shares Registrar of the Company, M/s. FAMCO Associates (Private) Limited, State Life Building No. 1-A, 1st Floor, I.I. Chundrigar Road, Karachi upto October 10, 2011 will be considered in time for the purpose of attendance of Annual General Meeting.

2. A member who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant s ID number and CDC account/sub-account number alongwith original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.

3. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote instead of him/her.

4. Forms of proxy to be valid must be properly filled-in/executed and received at the Company's Registered Office situated at Lakson Square, Building No. 2, Sarwar Shaheed Road, Karachi not later than forty-eight hours before the time of the meeting.

5. Members are requested to notify the Shares Registrar of the Company promptly of any change in their addresses.

6. Members who have not yet submitted photocopy of their Computerized National Identity Cards (CNIC) are requested to send the same to our Shares Registrar at the earliest.

7. Form of proxy is enclosed herewith.

Production

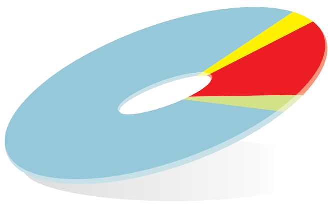
Strength

Management 13 | Executives 67
Supervisors 192 | Operating Staff 619
Total 891

Experience (years)

Management 326 | Executives 893
Supervisors 2,997 | Operating Staff 3,685
Total 7,901

Qualification



Engineers 35 | Technical 137
Master/Graduates 30 | Skilled Workers 689

Jahanzeb Ali Akhtar
General Manager Production

Marketing

Strength

Management 8
Executives 13
Supervisors 5
Total 26

Experience (years)

Management 165
Executives 156
Supervisors 56
Total 377

Qualification

Master/Graduates 12
MBA/MPA/MBE 14

Khalid Hayat
General Manager Marketing
Business Unit - Box

Tanveer Ahmed Khalid
General Manager Marketing
Business Unit - Paper & Board

Milestones

Production Capacity

1990 Commenced commercial production with three machines having capacity of 30,000 Metric Tons per annum.

1996 Started 12.3 MW captive Power Generation Plant as Century Power Generation Limited (a former subsidiary).

1997 Enhanced production capacity to 50,000 Metric Tons through addition of a three layers board machine (PM-4).

Added an Offline Coating Machine (CM-2).

1999 Enhanced production capacity to 60,000 Metric Tons after re-engineering of production facilities.

2002 Installed Dissolved Air Floatation Plant (DAF), the first of its kind in Pakistan for treatment of effluent in Paper and Board Sector.

2003 Enhanced production capacity to 80,000 Metric Tons per annum after installation of twin layer board machine (PM-5).

Added a Corrugated Boxes Manufacturing Plant with capacity of 22,000 Metric Tons per annum.

2005 Converted Power Generators to dual fired configuration i.e. oil and natural gas.

Enhanced un-bleached and bleached pulp capacities.

Merged Century Power Generation Limited (a former subsidiary) with the Company.

2006 Enhanced production capacity to 110,000 Metric Tons per annum after installation of Paper Machine (PM-6).

Added Online Coating facility to three layers board machine (PM-4).

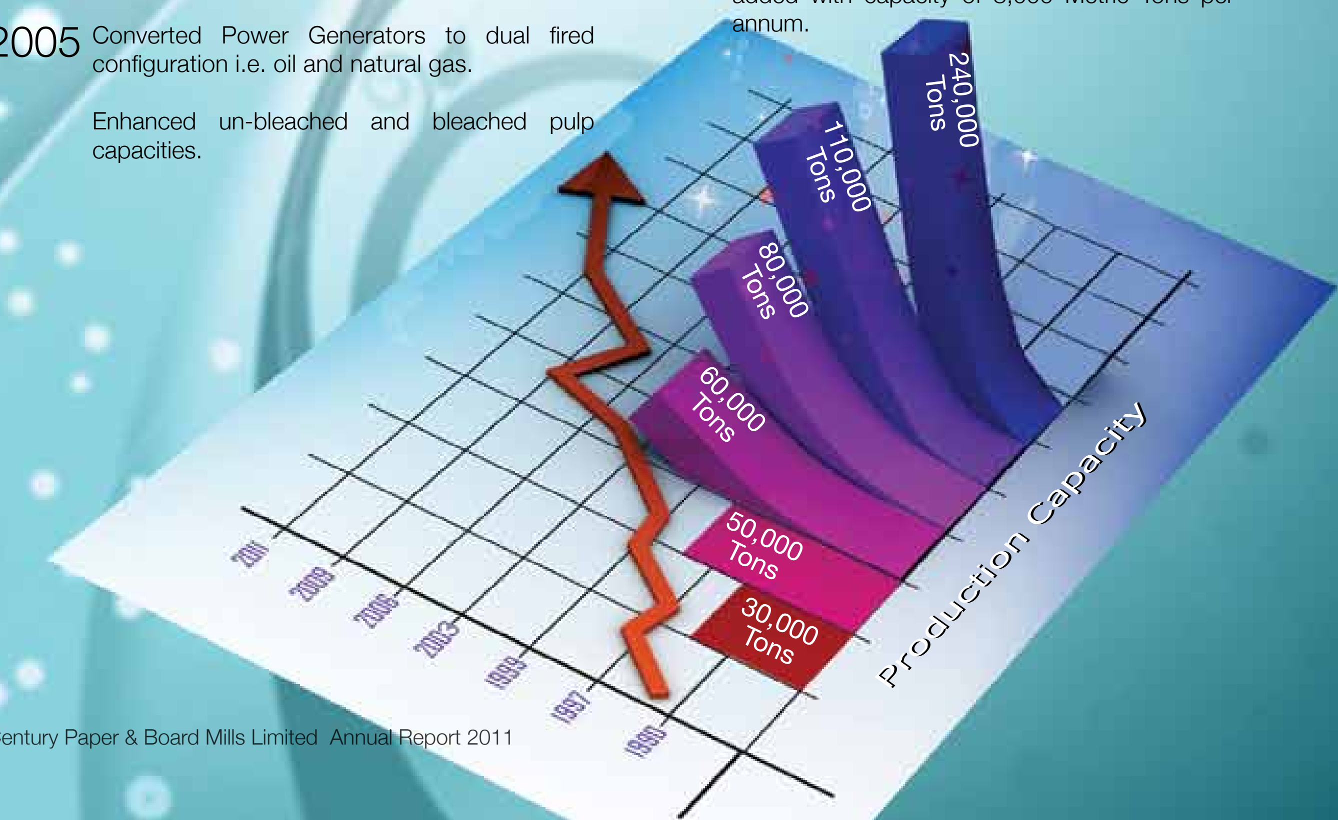
Laid foundation for new Coated Duplex Board Plant (PM-7).

2008 Enhanced captive power generation capacity to 30 MW as new 18 MW cogeneration plant started commercial operations.

2009 Enhanced production capacity to 240,000 Metric Tons per annum as Coated Board Duplex Plant (PM-7) started its commercial operations.

2010 Added a new Corrugator with capacity of 24,000 Metric Tons per annum.

2011 Enhanced Box Making capacity to 30,000 Metric Tons per annum after a new box machine is added with capacity of 8,000 Metric Tons per annum.



Sales Revenue (Gross)

1996 Achieved Rupees One Billion Revenue mark.

2000 Achieved Rupees Two Billion Revenue mark.

2004 Achieved Rupees Three Billion Revenue mark.

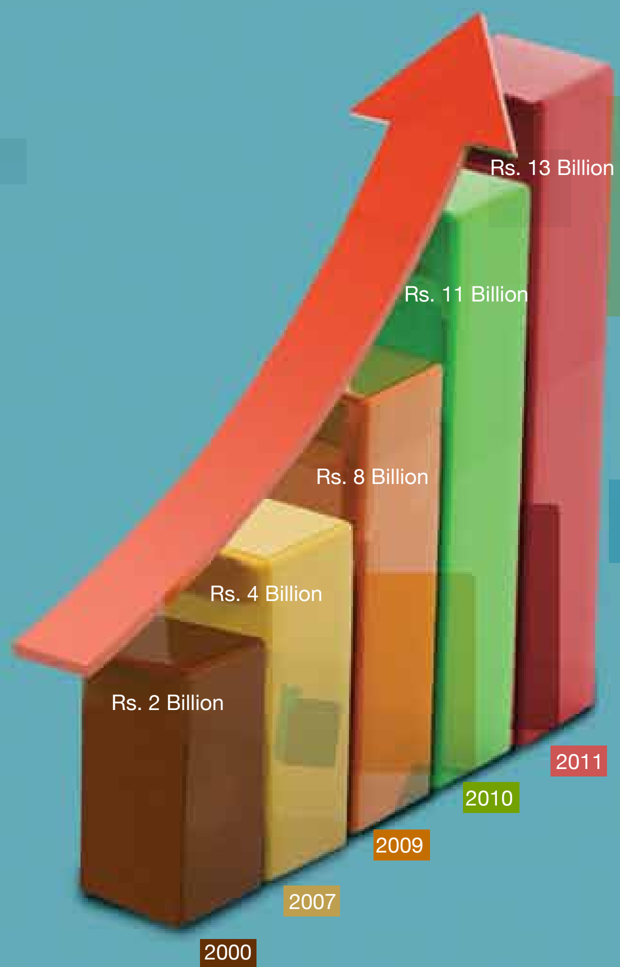
2007 Achieved Rupees Four Billion Revenue mark.

2008 Achieved Rupees Five Billion Revenue mark.

2009 Achieved Rupees Eight Billion Revenue mark.

2010 Achieved Rupees Eleven Billion Revenue mark.

2011 Achieved Rupees Thirteen Billion Revenue mark.



Certifications and Awards

1998 Awarded ISO - 9002 - QMS certification.

2002 Awarded Best Corporate Award on Annual Report for the year 2000 and 2001 in a competition organized jointly by Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP).

2003 Awarded Best Corporate Award on Annual Report for the year 2002.

2004 Recognized by Karachi Stock Exchange (KSE) as one of the Top 25 Companies for the year 2002 and 2003.

2006 Recognized by Karachi Stock Exchange (KSE) as one of the Top 25 Companies for the year 2004.

2007 Awarded Best Corporate Award on Annual Report for the year 2005.

2008 Awarded Best Corporate Award on Annual Report for the year 2007.

Awarded Best Environmental Reporter in ACCA-WWF Pakistan Environmental Reporting Awards 2007 in the Local Listed Company Category.

2011 Awarded the certification on "Integrated Management System (IMS) which consists of:

- Quality Management System (QMS) ISO 9001: 2008;
- Environmental Management System (EMS) ISO: 14001:2004 and
- Occupational Health and Safety Assesment series (OHSAS) 18001:2007.

Business Ethics and Practices

Our core business is to manufacture paper, paperboard and packaging products to provide local businesses and individuals quality products of international standard. We are very strong believer of the fact that Ethics and Good Practices play a vital role in advancement and betterment of the Company. To support our belief, we endeavor our best to follow these ethical and good practices.

Corporate Governance

We as a responsible corporate citizen strongly adhere to Corporate Governance principles and comply with regulatory obligations enforced by regulatory agencies for improving corporate performance. We believe in uprightness of performance and expect it to be a fundamental responsibility of our employees to act in the Company's best interest while holding confidential information. We expect our employees to neither solicit internal information from others nor disclose company's figures, data or any material information to any unauthorized persons/body.

Human Resource Development

We believe in individual respect and growth. Our employment and HR policies develop individuals without race, religion, gender or any other discriminative factors. We provide equal opportunities with a team based management style employing incessant training and development programs for employees. These continuous improvement policies enhance efficiencies and knowledge and create a constructive and affirmative environment.

Transparent Financial Policies

We develop fair and transparent financial policies for conducting business. We ensure transparency and integrity and follow the principles of accounting and finance as approved by regulations and contemporary accounting codes. Any unsupportive or false entry, infringement of accounts for individual or company gain is strongly incoherent with our business codes and ethics.

Marketing and Industry Practices

We believe in free and fair business practices and open competitive markets. Developing any association within the segment, industry or with competitors to distort the pricing and availability is contradictory to our business code of conduct. Any anti-trust activity such as price fixing, monopolization or forming cartel of suppliers is prohibited. Our marketing policies are customer focused, placing high values in satisfying their requirements with emphasis on quality, service and product development. As a long term marketing strategy we vision to diversify and add value to our products while maintaining close liaisons with markets, customers and their needs.

Business Risk Management

Our risk management policies are geared to enhance shareholders worth, improve credit worthiness and minimize credit risk while diversifying income, supplier and customer bases and maintaining relationships with financial institutions.

Social and Community Commitments

We believe in community development without political affiliations with any persons or group of persons working for gains. We contribute our resources for better environment with an unprejudiced approach. Our Safety, Health and Environment (SHE) policies are geared towards unbiased employees betterment. Our positive contribution towards Community Related Services especially in health and education adds to economic development.

Environmental Management System - EMS

We invest in environmental projects with environment friendly policies to improve health and safety standards of employees, communities and surroundings. Our EMS continuously improves in light of advancement in technology and new understandings in Safety, Health and Environmental science. We are driving towards zero waste generation at the source and materials will be reused and recycled to minimize the need for treatment or disposal and to conserve resources and environment. We are working for the conservation of natural resources, energy and biodiversity by continuously improving our processes, practices and products.

Environment policy

At Century, we make our best possible efforts to:

- Ensure environment friendly operations, products and services.
- Mitigate environmental impacts through effective implementation of ISO 14001 in order to achieving conformance to applicable laws and regulations.
- Promote environmental awareness to all employees and the community.
- Establish objectives & targets for continual improvement in resource conservation by waste control and safe operating practices.

Safety policy

At Century, we are committed to:

- Improve Occupational Health and Safety (OH & S) performance continuously in all areas of operations.
- Implement necessary controls and measures for mitigation of accidents and associated risk by setting objectives and following applicable legal and other requirements.
- Promote OH & S practices through training of employees for healthy and safe work environment.
- Communicate Safety Policy to all stakeholders and review it periodically for ensuring adequacy and compliance with OHSAS 18001 standards.

Quality Policy

Century excels in manufacturing of quality Paper, Paperboard and Corrugated Boxes 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 and productivity through effective implementation of Quality Management System.

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

Statement of Value Added

for the year ended June 30, 2011

	2011	%age	2010	%age
	(Rupees in thousands)			
Wealth Generated				
Turnover (including sales tax and SED)	13,948,503		11,323,052	
Less: Purchased material and services	(8,748,828)		(7,275,335)	
Value Added	5,199,675		4,047,717	
Other Income	88,398		74,336	
Wealth Generated	5,288,073	100	4,122,053	100
Wealth Distributed				
To Employees Salaries, benefits and related costs	566,158	11	478,436	12
To Government Income Tax , Sales Tax, Import Duty and Workers walfare fund	2,599,188	49	1,706,221	41
To providers of Capital Financial Charges on borrowed funds	963,042	18	1,141,099	28
Retained for reinvestment and future growth Depreciation, amortization and retained profit	1,159,685	22	796,297	19
	5,288,073	100	4,122,053	100

2011

To Employees 11
To Government 49
To provider capital 18
To Retained for investment and future growth 22

2010

To Employees 12
To Government 41
To provider capital 28
To Retained for investment and future growth 19

Engineering

Shiekh Nadeemullah
General Manager Engineering

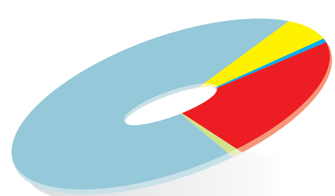
Strength

Management 9
Executives 40
Supervisors 96
Operating Staff 247
Total 392

Experience (years)

Management 264
Executives 518
Supervisors 1,579
Operating Staff 2,492
Total 4,853

Qualification



Engineers 26
MBA/MPA/MBE 2
Technical 88
Master/Graduates 5
Skilled Workers 271

Power Plant & Utilities

Strength

Management 3
Executives 24
Supervisors 31
Operating Staff 59
Total 117

Experience (years)

Management 80
Executives 277
Supervisors 502
Operating Staff 420
Total 1,279

Qualification

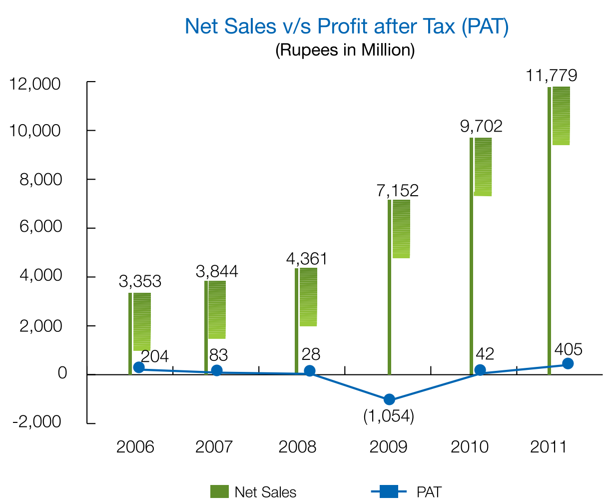
Engineers 20
Technical 48
Master/Graduates 3
Skilled Workers 46

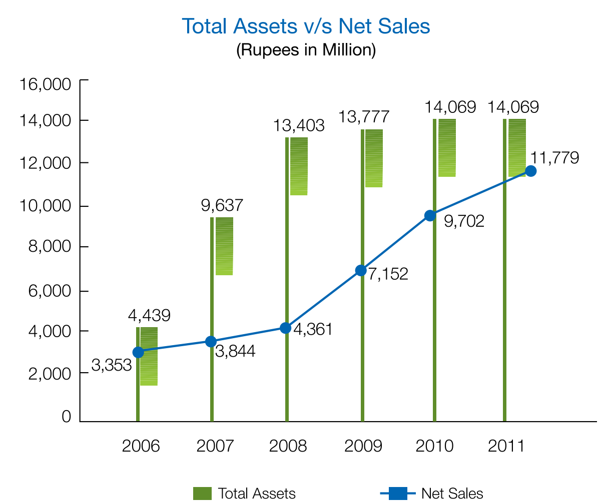
Karamatullah Khan Niazi
General Manager
Power Plant & Utilities

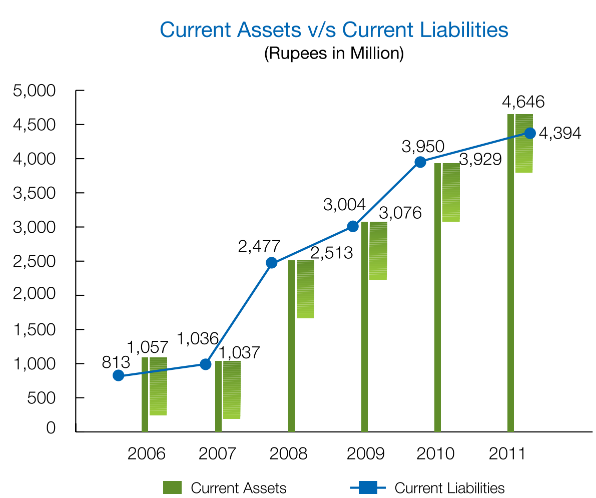
Summarized Six Year Data

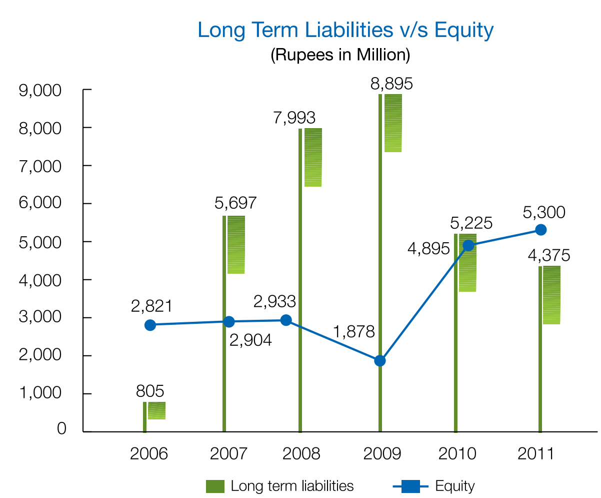
(Rupees in million)

	2011	2010	2009	2008	2007	2006
Balance Sheet						
Share Capital						
Ordinary shares	707	707	707	707	643	643
Preference shares	3,004	3,004	-	-	-	-
Reserves	1,589	1,184	1,172	2,226	2,262	2,178
Shareholders Equity	5,300	4,895	1,878	2,933	2,904	2,821
Subordinated loan	1,000	1,000	1,650	1,650	1,575	-
Long-term financing	4,225	5,075	7,691	6,181	3,940	773
Deferred taxation (Assets) / Liabilities	-	(212)	(190)	352	365	362
Capital employed	10,525	10,970	11,219	11,135	8,811	3,958
Property plant and equipment	9,384	9,879	10,454	10,855	8,590	3,377
Long-term assets	38	49	57	34	11	5
Net current assets / Working capital	252	(21)	72	36	1	242
Profit and Loss						
Sales gross	13,959	11,323	8,332	5,036	4,415	3,844
Sales net	11,779	9,702	7,152	4,361	3,844	3,353
Gross profit / (loss)	2,010	1,447	(74)	318	306	459
Operating profit / (loss)	1,698	1,212	(294)	137	214	386
Profit / (loss) before tax	735	71	(1,595)	37	124	308
Profit / (loss) after tax	405	42	(1,054)	28	83	204
EBITDA	2,452	1,966	400	415	480	633
Cash Flows						
Net cash flow from operating activities	735	(473)	(211)	(865)	243	367
Net cash flow from investing activities	(234)	(163)	(567)	(2,591)	(5,210)	(1,489)
Net cash flow from financing activities	(850)	(292)	1,511	2,315	4,742	1,242
Changes in cash and cash equivalents	(350)	(928)	733	(1,141)	(225)	120
Cash and cash equivalents Year end	(1,963)	(1,613)	(685)	(1,418)	(277)	(52)
Others						
Employee Nos (at year end)	1,710	1,631	1,520	1,609	1,239	1,076
Number of shares issued (million)						
Ordinary shares	71	71	71	71	64	64
Preference shares	300	300	-	-	-	-
Contribution to National Exchequer	2,413	1,805	1,316	777	851	634


Net Sales v/s Profit after Tax (PAT)
(Rupees in Million)
12,000
10,000
8,000
6,000
4,000
2,000
0
-2,000
3,353
3,844
4,361
7,152
9,702
11,779
204
83
28
(1,054)
42
405
2006
2007
2008
2009
2010
2011
Net Sales
PAT


Total Assets v/s Net Sales
(Rupees in Million)
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
4,439
9,637
13,403
13,777
14,069
14,069
3,353
3,844
4,361
7,152
9,702
11,779
2006
2007
2008
2009
2010
2011
Total Assets
Net Sales

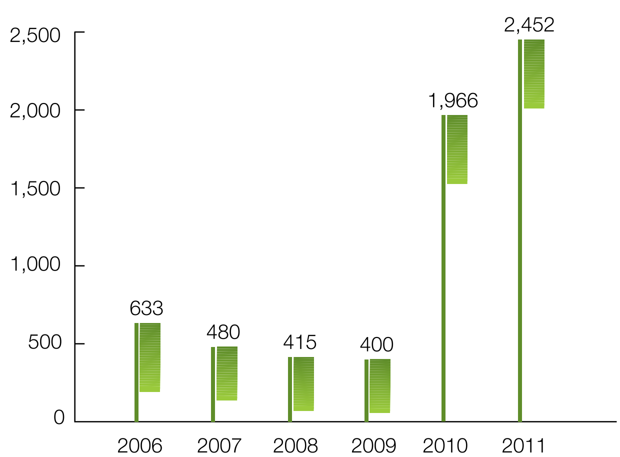

Current Assets v/s Current Liabilities
(Rupees in Million)
5,000
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
813
1,057
1,036
1,037
2,477
2,513
3,004
3,076
3,950
3,929
4,646
4,394
2006
2007
2008
2009
2010
2011
Current Assets
Current Liabilities


Long Term Liabilities v/s Equity
(Rupees in Million)
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
805
2,821
5,697
2,904
7,993
2,933
8,895
1,878
4,895
5,225
5,300
4,375
2006
2007
2008
2009
2010
2011
Long term liabilities
Equity

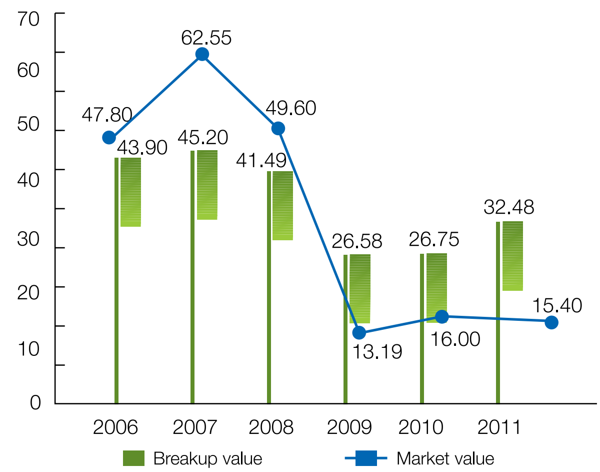
Financial Performance

		2011	2010	2009	2008	2007	2006
Profitability							
Gross profit / (loss) margin	%	17	15	(1)	7	8	14
EBITDA margin to sales	%	21	20	6	10	12	19
Profit / (loss) before tax margin	%	6	1	(22)	1	3	9
Net profit / (loss) margin	%	3	0.43	(15)	1	2	6
Return on equity	%	8	1	(56)	1	3	7
Return on capital employed	%	14	10	(3)	1	2	10
Operating Performance / Liquidity							
Total assets turnover (excl. CWIP)		0.84 : 1	0.69 : 1	0.53 : 1	0.68 : 1	1.15 : 1	0.97 : 1
Fixed assets turnover		1.23 : 1	0.97 : 1	1.02 : 1	1.42 : 1	1.63 : 1	1.65 : 1
Debtors turnover		18.67 : 1	17.92 : 1	18.17 : 1	14.51 : 1	17.77 : 1	19.41 : 1
Debtors turnover	Days	20	20	20	25	21	19
Inventory turnover		4.31 : 1	5.13 : 1	5.06 : 1	4.14 : 1	8.03 : 1	7.62 : 1
Inventory turnover	Days	85	71	72	88	45	48
Creditors turnover		15.24 : 1	13.77 : 1	14.36 : 1	13.52 :1	25.73 : 1	29.23 : 1
Creditors turnover	Days	24	27	25	27	14	12
Operating cycle	Days	81	64	67	86	52	55
Return on assets (excl. CWIP)	%	2.88	0.30	(8)	1	2	6
Current ratio		1.06 : 1	0.99 : 1	1.02 : 1	1.01 : 1	1.00 : 1	1.30 : 1
Quick / Acid test ratio		0.20 : 1	0.26 : 1	0.30 : 1	0.17 : 1	0.29 : 1	0.50 : 1
Capital Market / Capital Structure Analysis							
Market value per share	Rs.	15.40	16.00	13.19	49.60	62.55	47.80
Breakup value / (Net assets / share)	Rs.	32.48	26.75	26.58	41.49	45.20	43.90
Earnings / (loss) per share (pre tax)	Rs.	4.87	(2.59)	(22.56)	0.51	1.93	7.22
Earnings / (loss) per share (after tax)	Rs.	0.21	(2.99)	(14.91)	0.40	1.18	4.77
Price earning ratio		73.33 : 1	(5.35) :1	(0.88) :1	124 : 1	53.01 : 1	10.02 : 1
Market price to breakup value		0.47 : 1	0.60 : 1	0.49 : 1	1.19 : 1	1.38 : 1	1.09 : 1
Debt : Equity		40 : 60	46 : 54	69 : 31	57 : 43	65 : 35	22 : 78
Weighted average cost of debt		12.76 : 1	13.07 : 1	13.83 : 1	8.51 : 1	8.84 : 1	8.54 : 1
Interest coverage ratio		1.76 : 1	1.06 : 1	(0.23) : 1	1.37 : 1	2.38 : 1	4.95 : 1

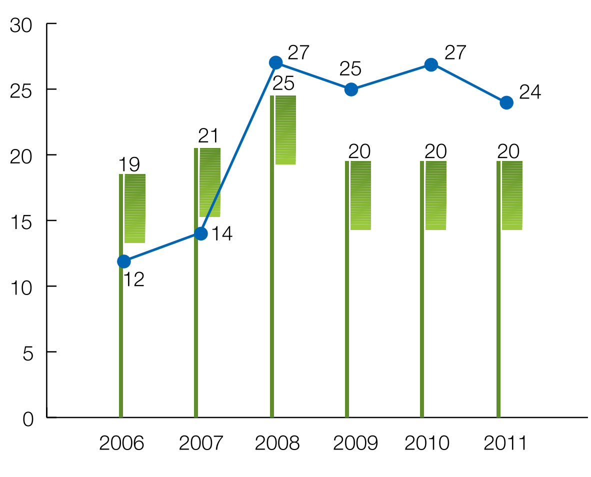
EBITDA
(Rupees in Million)



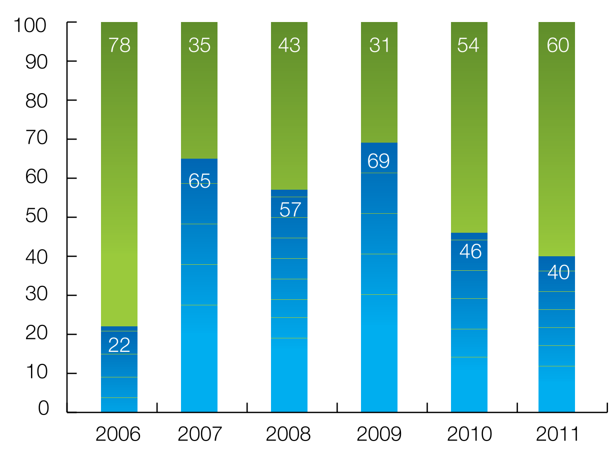
Breakup Value v/s Market Value
(Rupees)



Debtors Days v/s Creditors Days



Debit Equity Ratio



Horizontal Analysis

(Rupees in million)

	2011 Amount	2011 %	2010 Amount	2010 %	2009 Amount	2009 %
PROFIT AND LOSS ACCOUNT						
Sales net	11,779	121	9,702	136	7,152	164
Cost of sales	(9,769)	118	(8,255)	114	(7,226)	179
Gross profit / (loss)	2,010	139	1,447	(1,955)	(74)	(23)
General and administrative expenses	(227)	110	(207)	140	(148)	122
Selling and distribution expenses	(105)	133	(79)	136	(58)	141
Other operating income	88	119	74	123	60	150
Other operating charges	(68)	296	(23)	31	(74)	123
Operating profit / (loss)	1,698	140	1,212	(412)	(294)	(215)
Financial charges	(963)	84	(1,141)	88	(1,300)	1,300
Profit / (loss) before taxation	735	1,050	70	(4)	(1,594)	(4,308)
Taxation	(330)	1179	(28)	(5)	540	(6,000)
Profit / (loss) after taxation	405	964	42	(4)	(1,054)	(3,764)
BALANCE SHEET						
NON CURRENT ASSETS						
Property plant and equipment						
Operating fixed assets	9,365	95	9,851	97	10,158	264
Capital work in progress	19	68	28	9	296	4
Intangible assets	31	76	41	82	50	192
Long-term loans and advances	4	80	5	125	4	67
Long-term deposits	3	100	3	100	3	100
Deferred taxation	-	-	213	112	190	100
CURRENT ASSETS						
Stores and spares	877	119	739	121	610	169
Stock in trade	2,670	143	1,869	138	1,357	91
Trade debts	736	97	760	151	504	122
Loans and advances	56	64	88	140	63	332
Trade deposits and short-term prepayments	9	129	7	33	21	111
Other receivables	24	240	10	250	4	12
Tax refunds due from Government	69	128	54	174	31	21
Taxation-net	75	55	137	173	79	2,633
Short-term investment	-	-	-	-	-	-
Cash and bank balances	130	49	265	65	407	2,544
EQUITY AND LIABILITIES						
SHARE CAPITAL AND RESERVES						
Issued, subscribed and paid-up capital						
Ordinary shares	707	100	707	100	707	100
Preference shares	3,004	100	3,004	100	-	-
Reserves	1,589	134	1,184	101	1,172	53
NON CURRENT LIABILITIES						
Subordinated loan	1,000	100	1,000	61	1,650	100
Long-term financing	3,375	80	4,225	58	7,245	121
Deferred taxation	-	-	-	-	-	-
Retention money payable	-	-	-	-	-	-
CURRENT LIABILITIES						
Trade and other payables	1,005	110	916	105	871	151
Financial charges payables	446	146	305	51	595	302
Short-term borrowings	2,093	111	1,878	172	1,091	76
Retention money payable	-	-	-	-	-	-
Current portion of long-term financing	850	100	850	191	446	212
Taxation-net	-	-	-	-	-	-

(Rupees in million)

2008 Amount	2008 %	2007 Amount	2007 %	2006 Amount	2006 %	BASE YEAR 2005 Amount
4,361	113	3,844	115	3,353	111	3,010
(4,042)	114	(3,538)	122	(2,894)	115	(2,518)
319	104	306	67	459	93	492
(121)	139	(87)	109	(80)	113	(71)
(41)	146	(28)	140	(20)	125	(16)
40	108	37	76	49	213	23
(60)	429	(14)	64	(22)	76	(29)
137	64	214	55	386	97	398
(100)	111	(90)	115	(78)	355	(22)
37	30	124	40	308	82	376
(9)	22	(41)	39	(104)	75	(139)
28	34	83	41	204	86	237
3,849	168	2,293	95	2,409	145	1,662
7,006	111	6,297	651	968	216	449
26	433	6	100	-	-	-
6	100	-	-	-	-	-
3	75	4	100	4	200	2
-	-	-	-	-	-	-
362	157	231	120	193	123	157
1,496	328	456	107	425	127	335
413	147	281	130	216	120	180
19	317	6	60	10	100	10
19	380	5	500	1	100	1
34	1,700	2	40	5	31	16
150	1,667	9	100	-	-	-
3	11	27	135	20	100	-
-	-	-	-	166	100	-
16	73	22	100	22	71	31
707	110	643	100	643	200	321
-	-	-	-	-	-	-
2,226	98	2,262	104	2,178	189	1,155
1,650	105	1,575	100	-	-	-
5,971	160	3,731	848	440	83	533
352	96	365	101	362	133	272
19	73	26	1,300	2	100	-
578	215	269	114	235	134	175
197	166	119	3,967	3	150	2
1,434	480	299	125	239	118	203
59	42	140	4,667	3	100	-
210	100	210	63	333	240	139
-	-	-	-	-	-	45

Vertical Analysis

(Rupees in million)

	2011 Amount	2011 %	2010 Amount	2010 %	2009 Amount	2009 %
PROFIT AND LOSS ACCOUNT						
Sales net	11,779	100.00	9,702	100.00	7,152	100.00
Cost of sales	(9,770)	82.94	(8,255)	85.09	(7,226)	101.03
Gross profit / (loss)	2,010	17.06	1,447	14.91	(74)	1.03
General and administrative expenses	(227)	1.93	(207)	2.13	(148)	2.07
Selling and distribution expenses	(105)	0.89	(80)	0.82	(58)	0.81
Other operating income	88	(0.75)	74	(0.76)	61	(0.85)
Other operating charges	(68)	0.58	(23)	0.24	(74)	1.03
Operating profit / (loss)	1,698	(14.42)	1,212	(12.49)	(294)	4.11
Financial charges	(963)	8.18	(1,141)	11.76	(1,300)	18.18
Profit / (loss) before taxation	735	6.24	71	0.73	(1,595)	(22.30)
Taxation	(330)	2.80	(28)	0.29	540	7.55
Profit / (loss) after taxation	405	3.44	42	0.43	(1,054)	(14.74)
BALANCE SHEET						
NON CURRENT ASSETS						
Property plant and equipment						
Operating fixed assets	9,365	66.56	9,851	70.02	10,158	73.73
Capital work in progress	19	0.14	28	0.20	296	2.15
Intangible assets	31	0.22	41	0.29	50	0.36
Long-term loans and advances	4	0.03	5	0.04	4	0.03
Long-term deposits	3	0.02	3	0.02	3	0.02
Deferred taxation	-	-	213	1.51	190	1.38
CURRENT ASSETS						
Stores and spares	878	6.24	739	5.25	610	4.43
Stock in trade	2,670	18.98	1,869	13.28	1,357	9.85
Trade debts	736	5.23	759	5.39	504	3.66
Loans and advances	56	0.40	88	0.63	63	0.46
Trade deposits and short-term prepayments	9	0.06	7	0.05	21	0.15
Other receivables	24	0.17	10	0.07	4	0.03
Tax refunds due from Government	69	0.49	54	0.38	31	0.23
Taxation-net	75	0.53	137	0.97	79	0.57
Short-term investment	-	-	-	-	-	-
Cash and bank balances	130	0.92	265	1.88	407	2.95
TOTAL ASSETS	14,069	100.00	14,069	100.00	13,777	100.00
EQUITY AND LIABILITIES						
SHARE CAPITAL AND RESERVES						
Issued, subscribed and paid-up capital						
Ordinary shares	707	5.03	707	5.03	707	5.13
Preference shares	3,004	21.35	3,004	21.35	-	-
Reserves	1,589	11.29	1,184	8.42	1,172	8.51
NON CURRENT LIABILITIES						
Subordinated loan	1,000	7.11	1,000	7.11	1,650	11.98
Long-term financing	3,375	23.99	4,225	30.03	7,245	52.59
Deferred taxation	-	-	-	-	-	-
Retention money payable	-	-	-	-	-	-
CURRENT LIABILITIES						
Trade and other payables	1,005	7.14	916	6.51	871	6.32
Financial charges payables	446	3.17	305	2.17	595	4.32
Short-term borrowings	2,093	14.88	1,878	13.35	1,091	7.92
Retention money payable	-	-	-	-	-	-
Current portion of long-term financing	850	6.04	850	6.04	446	3.24
Taxation-net	-	-	-	-	-	-
TOTAL EQUITY AND LIABILITIES	14,069	100.00	14,069	100.00	13,777	100.00

(Rupees in million)

2008		2007		2006	
Amount	%	Amount	%	Amount	%
4,361	100.00	3,844	100.00	3,353	100.00
(4,043)	92.71	(3,538)	92.04	(2,894)	86.31
318	7.29	306	7.96	459	13.69
(121)	2.77	(87)	2.26	(80)	2.39
(41)	0.94	(28)	0.73	(20)	0.60
40	0.92	37	0.96	49	1.46
(60)	1.38	(14)	0.36	(22)	0.66
137	3.14	214	5.57	386	11.51
(100)	2.29	(90)	2.34	(78)	2.33
37	0.85	124	3.23	308	9.19
(9)	0.21	(41)	1.07	(104)	3.10
28	0.64	83	2.16	204	6.08
3,849	28.72	2,293	23.79	2,409	54.27
7,006	52.27	6,297	65.33	968	21.81
26	0.19	6	0.06	-	-
6	0.04	-	-	-	-
3	0.02	4	0.04	4	0.09
-	-	-	-	-	-
362	2.70	231	2.40	193	4.35
1,497	11.17	456	4.73	425	9.57
413	3.08	281	2.92	216	4.87
19	0.14	6	0.06	10	0.23
19	0.14	5	0.05	1	0.02
34	0.25	2	0.02	5	0.11
150	1.12	9	0.09	-	-
3	0.02	27	0.28	20	0.45
-	-	-	-	166	3.74
16	0.12	22	0.23	22	0.50
13,403	100.00	9,639	100.00	4,439	100.00
707	5.27	643	6.67	643	14.49
-	-	-	-	-	-
2,226	16.61	2,262	23.47	2,179	49.09
1,650	12.31	1,575	16.34	-	-
5,971	44.55	3,731	38.71	441	9.93
352	2.63	365	3.79	362	8.15
19	0.14	26	0.27	-	-
578	4.31	269	2.79	239	5.38
197	1.47	119	1.23	3	0.07
1,434	10.70	299	3.10	239	5.38
59	0.44	140	1.45	-	-
210	1.57	210	2.18	333	7.50
-	-	-	-	-	-
13,403	100.00	9,639	100.00	4,439	100.00

Supply Chain

Strength

Management 9
Executives 22
Supervisors 17
Operating Staff 74
Total 122

Experience (years)

Management 175
Executives 349
Supervisors 250
Operating Staff 503
Total 1,277

Qualification

MBA/MPA/MBE 7
Master/Graduates 37
Skilled Workers 78

Sabir Imtiaz
General Manager Supply Chain

Human Resource & Administration

Strength

Management 8
Executives 12
Supervisors 16
Operating Staff 78
Total 114

Experience (years)

Management 239
Executives 185
Supervisors 264
Operating Staff 854
Total 1,542

Qualification

Engineers 4
MBA/MPA/MBE 5
Technical 3
Master/Graduates 10
Skilled Workers 92

M. Jameel Khalid
Head
Administration & IR

M. Kashif Chaudhry
General Manager
Human Resource

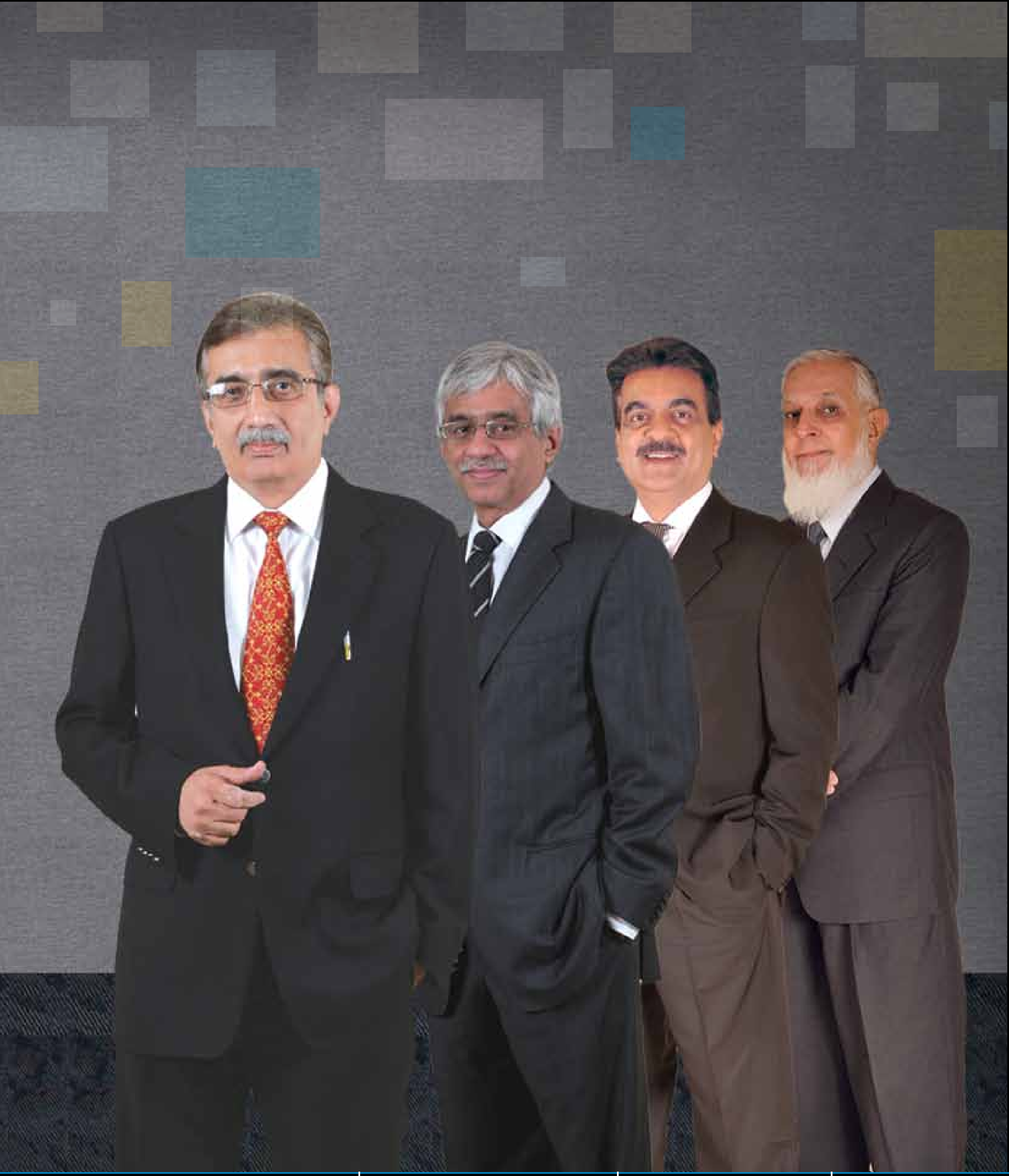
Board of Directors

Shahid Ahmed Khan
Director

Kemal Shoaib
Nominee Director (NIT)

Tasleemuddin Ahmed Batlay
Director

Aftab Ahmad
Chief Executive Officer



Iqbal Ali Lakhani
Chairman

Zulfiqar Ali Lakhani
Director

Amin Mohammed Lakhani
Director

A. Aziz H. Ebrahim
Director

Chairman s Message

I am pleased to report that the financials of your Company have shown a remarkable improvement for the second year in a row.

This standard of high performance is in continuation of the previous year s efforts and is a great source of satisfaction for me as the chairman of your Company.

I believe that the confidence and trust of the stakeholders will be re-strengthened by the continual improvement of results.

This year also, unfortunately the Company was not able to fully utilize its installed capacity due to restricted gas supply. The profit earned by the Company was just enough to provide return to its preference shareholders. However commitments with the financial institutions for the servicing of debt etc., restricted the distribution of any profit to preference as well as common shareholders.

Keeping in view the gas outages which do not appear to have any sign of improvement in the near future, enabling us to reach full capacity utilization continues to remain our biggest challenge.

I am hopeful and confident that the Company will soon reach a stage; where a distribution of reasonable return to equity holders will become possible. I am encouraged to say so as we drive strength from the professionally competent human resources of your Company. The theme of this year s annual report also depicts the same concept.

Iqbal Ali Lakhani
Chairman

Directors Report

On behalf of the Board of Directors I am pleased to present the Annual Report of the Century Paper & Board Mills Limited (CPBM) along with the audited financial statements and Auditors Report thereon, for the year ended 30th June 2011.

Market

The market remained receptive for the Company s products during the year under review mainly due to the increasing trend of prices of paper and board in the international market.

Last year Your Directors had indicated that they were confident that the local market will soon become tuned to domestic products and its preference and inclination to use the imported products will taper off, thus creating a stable and regular market demand for Company s product.

The above has now become a reality and it is very encouraging that the Company s paperboard especially the Polo brand produced on PM-7 has now been accepted in the market as a good substitute for the imported board.

The import substitution by the Company s paper and board will result in substantial foreign exchange saving for the country.

Operations

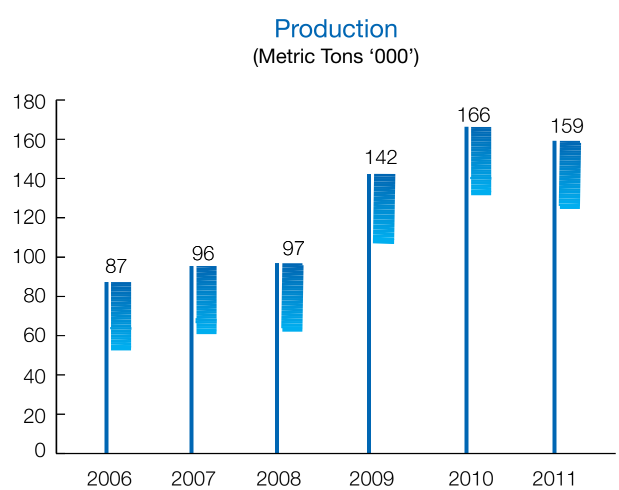
This year also, the optimal operation of machines could not be achieved due to frequent stoppages in the supply of natural gas during the winter months. The Company however used the expensive proposition of continuing production on alternate fuel as better margins of the products supported by the demand in the market made it feasible to use this option.

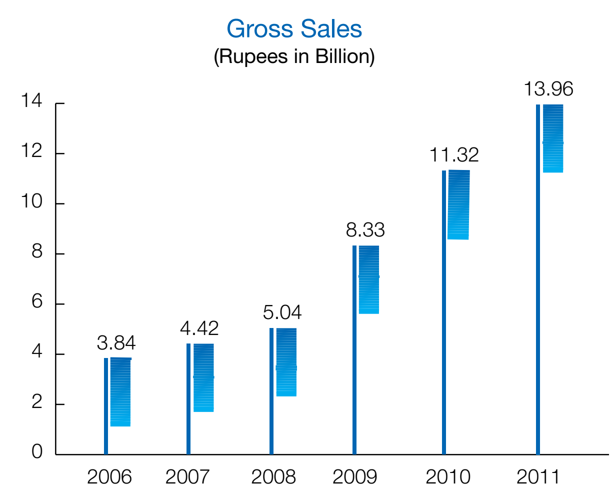
During the year under review a production level of 159 thousand metric tons could be achieved as compared to last year s production of 166 thousand metric tons. The capacity utilization for the year stood at 90% of the available capacity, and 66% of the installed capacity (L.Y. 70%).

Sales

The influx of the imported paper and board in the local market was nominal due to the reason that the international prices of paper and board showed an upward trend for the second year in a row, thus resulting in a sustained volumes with better prices for the year under review.

The sales of the Company in quantitative terms for the year under review were155 thousand metric tons (L.Y. 162 thousand metric tons). The rupee value of the gross sales for the year under review showed an impressive increase over the last year and stood at Rs.13,959 million (L.Y. Rs. 11,323 million). This depicts an increase of 23.28%.





Financials

Your Directors report with satisfaction that for the second year in a row the financials of the Company have shown an overall improvement as compared to the previous year. This has been made possible due to more focussed strategies, defined objectives and support of a team of dedicated professionals.

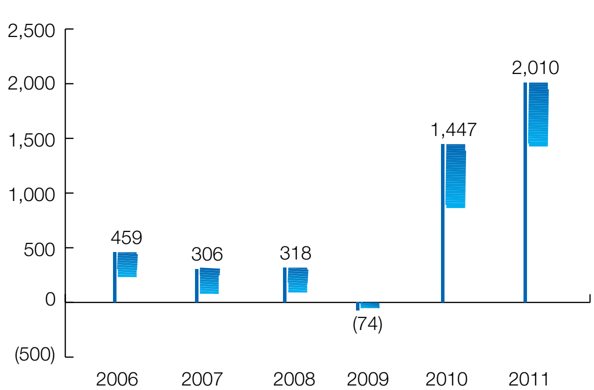
The net turnover for the year under review is recorded at Rs. 11,779 million (L.Y. Rs. 9,702 million). Gross profit of the Company for the year under review stood at Rs. 2,010 million as compared to Rs. 1,447 million of the last year. The operating profit for the year under review stood at Rs.1,698 million as compared to operating profit of Rs. 1,211 million of the last year.

Your Directors are pleased to report the increase in profit after taxation which has been posted at Rs. 405 million as compared to profit after taxation of Rs. 42 million of the last year.

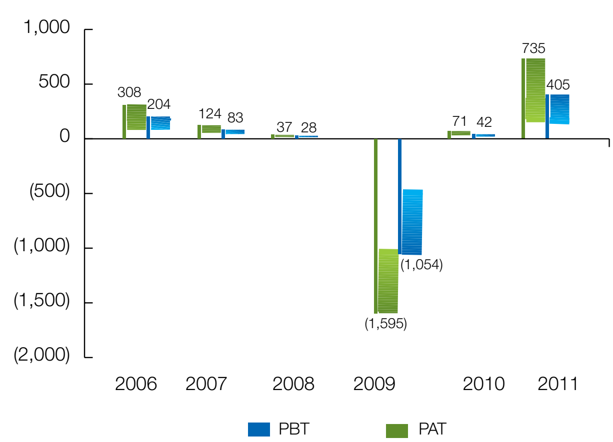
The summary of the operating results of the Company for the year under review alongwith the comparatives for the last year are as under:

	2011	2010
	(Rupees in Million)	
Sales	11,779	9,702
Cost of Sales	(9,769)	(8,255)
Gross Profit	2,010	1,447
Administrative, Selling and Other Expenses	(400)	(310)
Other Income	88	74
Operating Profit	1,698	1,211
Financial Charges	(963)	(1,141)
Net Profit before Tax	735	70
Taxation	(330)	(28)
Net Profit after Tax	405	42
Sales Volumes (Metric Tons)	155,076	161,700

Gross Profit
(Rupees in Million)



Profit before and after tax
(Rupees in Million)



Earnings per Share

Your Company has earned a profit of Rs. 405 million after tax, which without taking out the effect of outstanding preference dividend, translates into earnings per share of Rs. 5.73 as compared to earnings per share of Rs. 0.60 of the last year.

As the Company has issued preference shares therefore as per reporting requirements, the profit has to be attributed to the preference shareholders up to the amount of the dividend outstanding, which for the current year is Rs. 391 million. Thus the earnings attributable to the common shareholders is Rs. 15 million and earnings per common share is Re. 0.21.

Appropriations

Your Directors have not recommended any appropriation of profit due to the reason that the Company has to service principal plus profit of the financial institutions and sukuk holders.

Market Capitalization

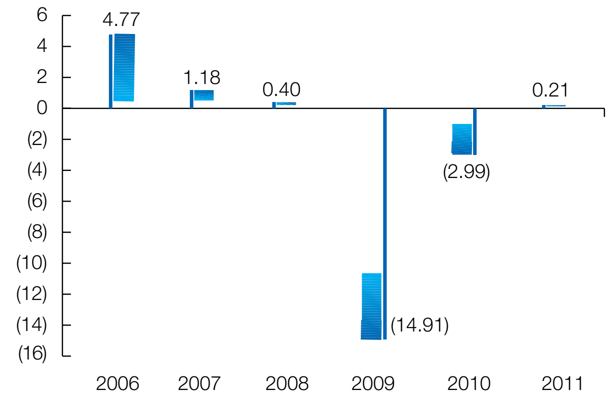
The Capital Markets of the country remained subdued throughout the year. The market capitalization of your Company also fluctuated with the trends of the market. During the year the share of the Company touched the high of Rs. 21.94 on 2nd August 2010 with the market capitalization of Rs.1,550.79 million. The share touched the low of Rs. 14.66 during the year on 26th February 2011 and 21st April 2011 and the market capitalization was at Rs. 1,036.27 million.

At the close of the year, the market capitalization was Rs. 1,088.52 million, with a market value per share of Rs. 15.40 and break-up value per share of Rs. 32.48.

Capital Investment

Your Company added another fully integrated Box Making Line with a per annum capacity of seven million boxes. The capital outlay for this project was Rs. 57.74 million. This additional capacity will enable the Company to cater for future growth of Box Business Customers.

Earnings per share
(Rupees)

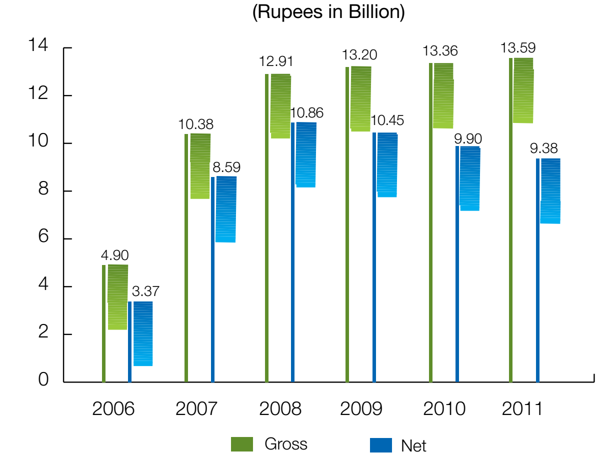


In addition and as a part of its strategic policy the Company added assets at a cost of Rs. 204.02 million.

Contribution to the National Exchequer

Your Companys contribution to the National Exchequer amounted to Rs. 2,413 million as compared to Rs. 1,805 million of last year. This includes Rs. 180 million (L.Y. Rs. 146 million) as Income Tax, Rs. 2,169 million (L.Y. Rs. 1,621 million) as Sales Tax / Special Excise Duty and Rs. 63 million (L.Y. Rs. 38 million) as Customs Duty.

Property Plant and Equipment
(Rupees in Billion)



Board Meetings

Four meetings of the Board of Directors were held during the year ended 30th June 2011. Attendance by each Director was as under:

Name of Director	Meetings Attended
Mr. Iqbal Ali Lakhani (Chairman)	4
Mr. Zulfiqar Ali Lakhani	4
Mr. Amin Mohammed Lakhani	2
Mr. Tasleemuddin A. Batlay	4
Mr. A. Aziz H. Ebrahim	3
Mr. Shahid Ahmed Khan	3
Mr. Kemal Shoaib	3
Mr. Aftab Ahmad (CEO)	4

Corporate and Financial Reporting Framework

Your Company is committed to good corporate governance. The Board acknowledges its responsibility in respect of Corporate and Financial Reporting Framework.

These Financial Statements together with the notes thereto have been drawn up, in conformity with the Companies Ordinance, 1984. International Financial Reporting Standards wherever applicable have been followed in their preparation. Proper books of accounts have been maintained by the Company.

Appropriate accounting policies have been consistently applied in preparation of the Financial Statements and accounting estimates are based on reasonable and prudent judgement.

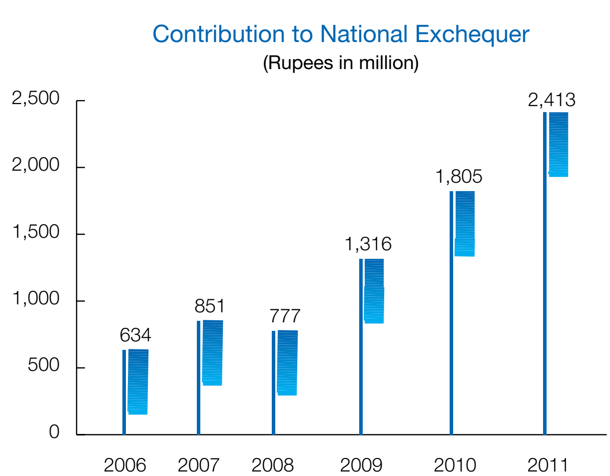
There are no doubts upon the Company s ability to continue as a going concern.

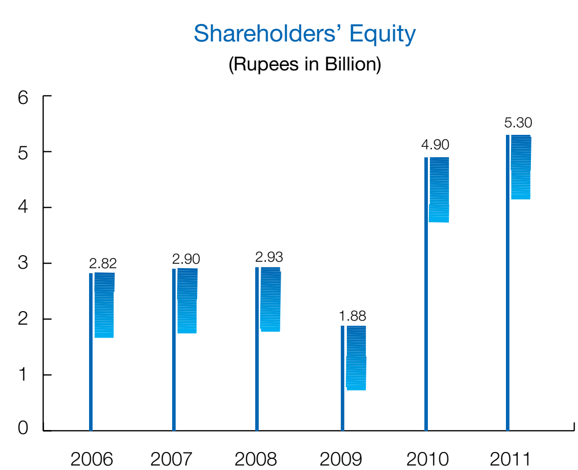
There has been no material departure from the best practices of the Code of Corporate Governance, as detailed in the listing regulations of the stock exchanges.

The system of internal control is sound in design and has been effectively implemented and monitored.

The six year summarized data about the financial performance of the Company alongwith the vertical and horizontal analysis is given separately in the annual report.

The Board of Directors certify that the financial statements, including the cash flow and the changes in equity; fairly present the state of affairs of the Company s business and of its operations.





Compliance with the Code of Corporate Governance

The Statement of Compliance with the Code of Corporate Governance is annexed with the report.

Pattern of Shareholding

Pattern of Shareholding of the Company as at 30th June 2011, along with the necessary information is annexed to this report.

There were 1,483 shareholders on the record of the Company as at 30th June 2011.

Provident and Gratuity Funds

The funded retirement benefits i.e. the provident and gratuity funds of the employees of the Company are maintained by the Trustees and are audited at regular intervals. The values of the investments of the two funds as reported by the Trustees, as per the last audited accounts were as follows:

Provident Fund	Rs. 235 million
Gratuity Fund	Rs. 124 million

Audit Committee

The Board in accordance with the Code of Corporate Governance has set up an audit committee comprising of three non-executive Directors.

The terms of reference of the Audit Committee are those as specified in the Code of Corporate Governance. In addition the Audit Committee is free to ask for any information and explanation in order to satisfy itself regarding the financial statements and internal controls.

The committee meets at least once every quarter to review the financial statements and any major judgemental area with reference to Companys business. The Audit Committee gives its recommendation to the Board for the approval of financial statements which are duly endorsed by the CEO and CFO.

Auditors

The Auditors BDO Ebrahim & Company are the retiring auditors of the Company and offer their services for re-appointment. They confirmed that they have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants (IFAC) guidelines on Code of Ethics, as adopted by the ICAP.

The Boards Audit Committee and the Board of Directors recommend their re-appointment by the shareholders at the ensuing Annual General Meeting, as auditors of the Company for the year ending 30th June 2012.

Corporate Social Responsibility

Your Directors are firm believers of the Corporate Social Responsibility (CSR) and are committed to the cause of protecting the environmental and adherence to social and ethical conduct.

For inculcating the spirit of ethical behaviour, commitment to excellence and customer focussed approach; a value system in the Company was launched later this year. The Directors consider it a long term investment in the betterment of the society as a whole.

Festivities like employee family mela, interdepartmental cricket matches and visits of students from different colleges and universities has also become a regular feature at the mills.

In the field of health the Company conducts medical camps for employees which have become a regular feature. The emphasis remains on the diagnostic aspects such as treatment of Hepatitis C and HIV. Blood samples of employees were tested and where required medical advice given.

In the field of education, summer camps have also became a regular event in the year. The purpose of summer camps was to impart skills of computers to the rural youth of our employees. Family members of our employees were imparted computer skills during summer camps.

Safety Health Environment and Quality (SHEQ)

A) Safety, Health and Environment (SHE)

Your Company is continually working to promote a Quality, Environment & Safety Conscious Culture . The Company at regular intervals reviews its SHE framework and if needed takes concrete steps to improve the environmental performance of the Mills. In this regard continuous monitoring of energy consumption, gaseous emission from boilers, power plant and water usage is being done.

B) Environmental Management System (EMS)

Your Company has adopted ISO 14001 standards and implemented the Environmental Management System (EMS). An international certification body AFNOR is also helping Company to manage all of its activities to ensure compliance with the Environmental Policy.

C) Quality Management System (QMS)

Consistent quality day after day is the prime objective of your Company. In this regard ISO 9001:2000 system is in place and is providing guidance to control the quality of the product according to the international standards. The Company is able to improve processes and increase productivity under the umbrella of this system. To further embark upon the quality and improvement, the Company is adopting the PDCA cycle and is converting its system according to newer versions of ISO 9001:2008.

D) Occupational Health and Safety Assessment Series (OHSAS)

Your Company's commitment to OHS is firm. It has implemented the standards 18001:2007 OHSAS and is making objective based efforts to eliminate unsafe and unhealthy work conditions. Hazards identification and Risk assessment are regularly performed, reviewed and all necessary preventive measures are taken to minimize accidents.

Emergency preparedness and response procedures and plans are established to deal with the accidents and emergency. Exercises are periodically carried out in order to check the effectiveness of these plans. Assembly zones and emergency exit points are identified and marked in the Mills. Responsibilities and authorities in emergency situations are clearly identified in the procedures. A safety and security arrangement layout also displayed in all the areas of operations for guidance and movement in any emergency situation.

Steps are being undertaken to impart comprehensive training to employees in the area of OHS. A Communication Participation and Consultation Program is in progress in order to create increased Safety Awareness.

Human Resource

It is the belief of your Company that employees play a vital role for the success of the organization. Better results are produced when the employees work as a team, trust each other and know each other. At the end of the day its all about good human resources that make the heart of the Company.

Human resources policy of the Company is designed with the ultimate goal to acquire and cultivate the individuals, shape them in an organized infrastructure, transform their creativities and professional excellences in order to achieve collective goals.

The Company has nourished an organizational culture which provides opportunities to learn and express in free and open manner creative skills and professional expertise. Employees are encouraged to excel in their individual careers based upon their professional merit.

Appropriate career paths and internal recognition program -mes are developed for both technical and management staff. Scope emanates from on-job training to enhanced skill programs through subject specialists and culminates into participation in local and international seminars and training.

Several recognition programmes like service awards, sports achievement awards and recognitions based upon performance and service are also in place.

Employee Relations

The relationship between the management and employees has been exemplary for the last many years. The Directors are pleased to record their appreciation for the hard work and devotion to duty by all cadres of employees.

Outlook for the Year 2012

It is hoped that in year 2011-12 the GDP will grow at the rate as is anticipated by the policy makers. If this happens the Company will be able to produce balanced results for the year 2011-12 with the assumptions that international prices both for finished product and raw material will remain at our benchmark rate. Further it is hoped that the rupee dollar parity and the interest rates will also remain within the range.

The outages of natural gas which seriously limit our capacity utilization will continue to remain a point of concern for the coming year as well.

Acknowledgement

The Directors fully acknowledge the contribution and commitment of all stakeholders.

They are thankful to all of them, especially the financial institutions for their continued confidence and support of the Company.

On Behalf of the Board

Aftab Ahmad
Chief Executive Officer

Celebrating
Kaizen Day at Mills

Statement of Compliance With the Code of Corporate Governance

1. The Board comprises of seven Directors elected by the shareholders including one Director as the representative of the National Investment Trust Limited (NIT). Further the Chief Executive Officer (CEO) is also a deemed Director of the Board by virtue of his office. The majority of the Directors are non-executive Directors.

2. All the Directors of the Company are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, DFI and NBFI, or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

3. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this Company.

4. The Company encourages representation of independent non-executive Directors and Directors representing minority interest on its Board of Directors.

5. No casual vacancy occurred in the Board during the current year.

6. The Board has developed a vision/mission statement. Significant policies of the Company are revised and updated as and when deem necessary.

7. All the powers of the Board have been duly exercised and decisions on material transactions and major judgemental area if any were taken by the Board. The Board approves the appointment and determination of remuneration and terms and conditions of employment of the CEO. As and when a vacancy falls the Board also approves the appointments of the Chief Financial Officer, Company Secretary and the Head of Internal Audit. It approves their remuneration and terms and conditions of employments, as recommended by the Chief Executive Officer.

8. The meetings of the Board were presided over by the Chairman and in his absence, by a Director elected by the Board for this purpose. The Board met at least once in every quarter. Written notices of the Board meeting, along with agenda were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated in time.

9. During the year director were apprised of their duties, responsibilities and any significant change in the statutory requirements were brought to their knowledge.

10. The Board has formed an Audit Committee comprising three of its members, all of whom are non-executive Directors.

11. The meetings of the audit committee were held once every quarter to review interim and final results of the Company. The terms of reference of the committee have been in place for compliance.

12. The financial statements of the Company were duly reviewed by the audit committee and endorsed by the CEO and CFO. The Board approves the financial statements and considers the recommendation/s of the Audit Committee.

13. The Board has set up an effective internal audit function which is headed by a chartered accountant. The staff is qualified and experienced for the purpose and conversant with the policies and procedures of the Company.

14. The Directors report has been prepared in compliance with the requirements of the code containing the salient matters required to be disclosed.

15. The Company has adopted and circulated a Statement of Ethics and Business Practices , which has been signed by all the Directors and employees of the Company.

16. The Director, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

17. The Company has complied with all the corporate and financial reporting requirements of the Code.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide any other services except in accordance with the listing regulations. The auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been complied with.

AFTAB AHMAD
Chief Executive Officer

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Lakson Square
Building No.1
Sarwar Shaheed Road
Karachi-74200
Pakistan

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of CENTURY PAPER & BOARD MILLS LIMITED to comply with the Listing Regulation No.37 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited and Chapter XI of the Lahore Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board s statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company s corporate governance procedures and risks.

Further, Sub-regulation (xiii) of Listing Regulation 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide Circular KSE/-269 dated January 19, 2009 and Chapter XI of the Lahore Stock Exchange (Guarantee) Limited require the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm s length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm s length price or not.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2011.

KARACHI

BDO Ebrahim & Co.

CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer

DATED: July 29, 2011

Financial Statements

Tel: +92 21 3568 3030
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Lakson Square
Building No.1
Sarwar Shaheed Road
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Auditors Report to the Members

We have audited the annexed balance sheet of CENTURY PAPER & BOARD MILLS LIMITED as at June 30, 2011 and the related profit and loss account, statement of comprehensive income, 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 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 accounts 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, statement of comprehensive income, 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, 2011 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

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

KARACHI

BDO Ebrahim & Co.

CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer

DATED: July 29, 2011

Balance Sheet
as at June 30, 2011

	Note	2011 (Rupees '000)	2010 (Rupees '000)
ASSETS			
NON-CURRENT ASSETS			
Property plant and equipment			
Operating fixed assets	5	9,365,235	9,850,801
Capital work in progress	6	19,198	28,416
		9,384,433	9,879,217
Intangible assets	7	31,286	41,463
Long-term loans and advances	8	4,032	4,501
Long-term deposits		2,825	2,905
Deferred taxation	9	-	212,547
		9,422,576	10,140,633
CURRENT ASSETS			
Stores and spares	10	877,475	738,727
Stock-in-trade	11	2,669,500	1,868,914
Trade debts	12	735,847	759,663
Loans and advances	13	55,917	87,902
Trade deposits and short-term prepayments	14	9,362	6,968
Other receivables	15	23,891	10,164
Tax refunds due from Government	16	68,571	53,926
Taxation - net	17	75,443	137,451
Cash and bank balances	18	129,919	264,930
		4,645,925	3,928,645
TOTAL ASSETS		14,068,501	14,069,278
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
100,000,000 (2010: 100,000,000) ordinary shares of Rs. 10 each		1,000,000	1,000,000
310,000,000 (2010: 310,000,000) preference shares of Rs. 10 each		3,100,000	3,100,000
		4,100,000	4,100,000
Issued, subscribed and paid-up capital			
Ordinary shares	19	706,834	706,834
Preference shares	20	3,004,046	3,004,046
		3,710,880	3,710,880
Reserves	21	1,588,792	1,183,677
		5,299,672	4,894,557
NON-CURRENT LIABILITIES			
Subordinated loan	22	1,000,000	1,000,000
Long-term financing	23	3,375,000	4,225,000
		4,375,000	5,225,000
CURRENT LIABILITIES			
Trade and other payables	24	1,005,331	916,281
Financial charges payable	25	445,586	305,080
Short-term borrowings	26	2,092,912	1,878,360
Current portion of long-term financing	23	850,000	850,000
		4,393,829	3,949,721
CONTINGENCIES AND COMMITMENTS	27		
TOTAL EQUITY AND LIABILITIES		14,068,501	14,069,278

The annexed notes from 1 to 49 form an integral part of these financial statements.

Aftab Ahmad
Chief Executive Officer

Tasleemuddin Ahmed Batlay
Director

Profit and Loss Account
for the year ended June 30, 2011

	Note	2011 (Rupees '000)	2010 (Rupees '000)
Sales - net	28	11,779,054	9,702,311
Cost of sales	29	(9,769,526)	(8,255,272)
Gross profit		2,009,528	1,447,039
General and administrative expenses	30	(227,480)	(207,105)
Selling and distribution expenses	31	(105,160)	(79,532)
Other operating charges	32	(67,550)	(23,006)
Other operating income	33	88,398	74,336
Operating profit		1,697,736	1,211,732
Financial charges	34	(963,042)	(1,141,099)
Profit before taxation		734,694	70,633
Taxation	35	(329,579)	(28,317)
Profit for the year		405,115	42,316
Earnings / (loss) per share - basic and diluted attributable to ordinary shareholders (Rupees)		0.21	(2.99)
Earnings / (loss) per share - basic and diluted (Rupees)			
Profit for the year		405,115	42,316
Less: Dividend attributable to cumulative preference shares		(390,526)	(253,574)
Profit / (loss) attributable to ordinary shareholders		14,589	(211,258)
Weighted average number of ordinary shares (in thousands)		70,684	70,684
Earnings / (loss) per share attributable to ordinary shareholders (Rupees)	36	0.21	(2.99)

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

The annexed notes from 1 to 49 form an integral part of these financial statements.

Aftab Ahmad
Chief Executive Officer

Tasleemuddin Ahmed Batlay
Director

Statement of Comprehensive Income

for the year ended June 30, 2011

	2011 (Rupees '000)	2010 (Rupees '000)
Profit for the year	405,115	42,316
Other comprehensive income	-	-
Total comprehensive income for the year	405,115	42,316

The annexed notes from 1 to 49 form an integral part of these financial statements.

Aftab Ahmad
Chief Executive Officer

Tasleemuddin Ahmed Batlay
Director

Cash Flow Statement
for the year ended June 30, 2011

	Note	2011 (Rupees '000)	2010 (Rupees '000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	38	1,641,320	1,067,875
Financial charges paid		(822,536)	(1,430,889)
Taxes paid - net		(58,348)	(86,947)
Gratuity paid		(22,396)	(22,775)
Workers' profit participation fund paid		(3,791)	-
Long-term loans and advances - net		469	(337)
Long-term deposits - net		80	(100)
Net cash generated from / (used in) operating activities	39	734,798	(473,173)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(237,788)	(174,413)
Profit received on bank deposit accounts		94	6,497
Proceeds from sale of operating fixed assets		3,333	4,930
Net cash used in investing activities		(234,361)	(162,986)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of preference shares		-	3,004,046
Transaction cost on issue of preference shares		-	(30,283)
Repayment of long-term financing from banking companies		(850,000)	(446,429)
Repayment of subordinated loan		-	(650,000)
Repayment of long-term sponsors / directors' loan		-	(2,170,000)
Net cash used in financing activities		(850,000)	(292,666)
Net decrease in cash and cash equivalents		(349,563)	(928,825)
Cash and cash equivalents at the beginning of the year		(1,613,430)	(684,605)
Cash and cash equivalents at the end of the year		(1,962,993)	(1,613,430)
CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	129,919	264,930
Short-term borrowings	26	(2,092,912)	(1,878,360)
		(1,962,993)	(1,613,430)

The annexed notes from 1 to 49 form an integral part of these financial statements.

Aftab Ahmad
Chief Executive Officer

Tasleemuddin Ahmed Batlay
Director

Statement of Changes in Equity

for the year ended June 30, 2011

	Issued, subscribed and paid-up		Capital reserves			Revenue reserves			Sub total	Total
	Ordinary share capital	Preference share capital	Share premium	Merger reserve	Total	General reserve	Accumulated loss	Total		
	(Rupees in thousands)									
Balance as at July 1, 2009	706,834	-	984,652	7,925	992,577	1,232,750	(1,053,683)	179,067	1,171,644	1,878,478
Preference share capital	-	3,004,046	-	-	-	-	-	-	-	3,004,046
Transaction costs - preference shares	-	-	-	-	-	-	(30,283)	(30,283)	(30,283)	(30,283)
Total comprehensive income for the year ended June 30, 2010	-	-	-	-	-	-	42,316	42,316	42,316	42,316
Balance as at June 30, 2010	706,834	3,004,046	984,652	7,925	992,577	1,232,750	(1,041,650)	191,100	1,183,677	4,894,557
Total comprehensive income for the year ended June 30, 2011	-	-	-	-	-	-	405,115	405,115	405,115	405,115
Balance as at June 30, 2011	706,834	3,004,046	984,652	7,925	992,577	1,232,750	(636,535)	596,215	1,588,792	5,299,672

The annexed notes from 1 to 49 form an integral part of these financial statements.

Aftab Ahmad
Chief Executive Officer

Tasleemuddin Ahmed Batlay
Director

Notes to the Financial Statements
for the year ended June 30, 2011

1. STATUS AND NATURE OF BUSINESS

Century Paper & Board Mills Limited ("the Company") was incorporated in Pakistan as a public limited company on August 2, 1984 under the Companies Ordinance, 1984 and its shares are 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 is engaged in manufacturing and marketing of paper, board and related products.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

The preparation of these financial statements in conformity with approved accounting standards requires the management to exercise its judgment in the process of applying the Company's accounting policies and use of certain critical accounting estimates. The areas involving a higher degree of judgment, critical accounting estimates and significant assumptions are disclosed in note 4.25.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Amendments that are effective in current year but not relevant to the Company

The Company has adopted the amendments to the following accounting standards which became effective during the year:

		Effective date (annual periods beginning on or after)
IAS 32	Financial Instruments	February 01, 2010
IFRS 1	First time Adoption of International Financial Reporting Standards	January/July 01, 2010
IFRS 2	Share Based Payment	January 01, 2010

In April 2009 and May 2010, International Accounting Standards Board (IASB) issued amendments to various accounting standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

Notes to the Financial Statements
for the year ended June 30, 2011

		Effective date (annual periods beginning on or after)
Issued in April 2009		
IAS 1	Presentation of Financial Statements	January 01, 2010
IAS 7	Cash flows statement	January 01, 2010
IAS 17	Leases	January 01, 2010
IAS 36	Impairment of assets	January 01, 2010
IAS 39	Financial Instruments: Recognition and Measurement	January 01, 2010
IFRS 5	Non Current Assets Held for Sales and Discontinued Operation	January 01, 2010
IFRS 8	Operating Segments	January 01, 2010
Issued in May 2010		
IAS 27	Consolidated and Separate Financial Statements	July 01, 2010
IFRS 3	Business Combination	July 01, 2010

3.2 Amendments not yet effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

IAS 1	Presentation of Financial Statements	July 01, 2012
IAS 12	Income Taxes	January 01, 2012
IAS 19	Employee Benefits	January 01, 2013
IAS 24	Related Party Disclosures	January 01, 2011
IAS 27	Consolidated and Separate Financial Statements	January 01, 2013
IAS 28	Investments in Associates	January 01, 2013
IFRS 1	First time Adoption of International Financial Reporting Standards	July 01, 2011
IFRS 7	Financial Instruments Disclosures	July 01, 2011
IFRS 9	Financial Instruments - Classification and Measurement	January 01, 2013
IFRIC 14	The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 01, 2011

The Company expects that the adoption of the above amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application.

In addition to the above, amendments to various standards have also been issued by the IASB. Such interpretations are generally effective for accounting periods beginning on or after January 01, 2011. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Property plant and equipment

a) Operating fixed assets

These are stated at historical cost less accumulated depreciation and impairment losses, if any, except for freehold land which is stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the item including borrowing costs (note 4.10). The cost of self constructed assets includes the cost of materials, direct labor and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Plant and machinery includes spare parts of capital nature which can only be used in connection with an item of property, plant and equipment (note 4.4).

Depreciation on operating fixed assets is provided on a straight line basis. Full month's depreciation is charged on addition, while no depreciation is charged in the month of disposal or deletion of assets. Rates of depreciation, which are disclosed in note 5, are determined to allocate the cost of an asset less estimated residual value, if not insignificant, over its useful life.

The assets' residual values and useful lives are reviewed and adjusted, if significant, at each balance sheet date.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipments.

Disposal of assets is recognized when significant risks and rewards incidental to the ownership have been transferred to buyers. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized in the profit and loss account.

Subsequent costs are included in asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

b) Capital work-in-progress

Capital work-in-progress are stated at cost and consist of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant operating fixed assets category as and when assets are available for use.

4.2 Intangible assets

These are stated at cost less accumulated amortization and impairment losses, if any. Major computer software licenses are capitalized on the basis of cost incurred to acquire and bring to use the specific software. Amortization is provided on a straight line basis at the rates disclosed in note 7 to the financial statements.

Expenditure which enhances the performance of computer software beyond its original specification and useful life is recognized as a capital improvement and added to the original cost of the software.

Cost associated with maintaining computer softwares are recognized as an expense as and when incurred.

4.3 Impairment

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the assets' recoverable amounts are estimated in order to determine the extent of impairment loss, if any.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that is largely independent from other assets and group. Impairment losses are recognized as expense in profit and loss account.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

4.4 Stores and spares

Stores and spares are stated at cost less provision for slow moving and obsolete items. Cost is determined by using the moving average method. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

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

4.5 Stock-in-trade

Stock-in-trade, except for stock-in-transit, are valued at the lower of cost and net realizable value. Cost of 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 incurred thereon.

Work-in-process and finished goods consist of the direct material costs, labor costs and an appropriate proportion of manufacturing overheads.

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.

4.6 Trade debts

Trade debts are recognized and carried at original invoiced amount which is fair value of the consideration to be received in future. An estimated provision for doubtful debts is made when collection of the full amount is no longer probable. Debts considered irrecoverable are written-off.

4.7 Other receivables

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

4.8 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit and loss account except to the extent that it relates to items recognized in other comprehensive income or directly in equity in which case it is recognized in other comprehensive income or directly in equity respectively.

a) Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

b) 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 in future years to utilize deductible temporary differences, unused tax losses and tax credits.

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 periods when the differences reverse. Deferred tax for the year is charged or credited to the profit and loss account.

4.9 Cash and bank balances

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

4.10 Borrowings

Loans and borrowings are recorded at the proceeds received. Financial charges are accounted for on accrual basis. Short-term borrowings are classified as current liabilities unless the Company has unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowing cost on long-term finances and short-term borrowings which are specifically obtained for the acquisition of qualifying assets are capitalized as part of cost of that assets. All other borrowing costs are charged to profit and loss account in the period in which these are incurred.

4.11 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.

4.12 Provisions

A provision is recognized in the balance sheet when the Company has a present 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 amount of that obligation can be measured reliably. Provisions are determined by discounting future cash flows at appropriate discount rates wherever required. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.13 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. All financial liabilities are derecognized at the time when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is included in profit and loss account.

4.14 Offsetting

Financial asset and financial liability are offset and the net amount is reported in the financial statements only when the Company has a legally enforceable right to set-off the recognized amounts and the Company intends to settle either on a net basis or realize the asset and settle the liability simultaneously.

4.15 Derivative financial instruments

The Company enters into derivative financial instruments. The derivatives that do not qualify for hedge accounting are recognized in the balance sheet at fair value with corresponding effect to profit and loss account.

4.16 Foreign currency translation

Transactions in foreign currencies are converted into Pak rupees at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are recognized in the profit and loss account.

4.17 Staff retirement benefits

a) Defined benefit plan

The Company operates an approved defined gratuity fund 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, 2010 using the projected unit credit method (note 37). Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of previous reporting period exceed 10% of the higher of present value of defined benefit obligation and the fair value of plan assets at that date. The gains or losses in excess of amounts determined as per above said criteria are recognized over the expected average remaining working lives of the employees participating in the plan. The Company recognizes expense in accordance with IAS 19 "Employee Benefits".

b) Defined contribution plan

The Company also operates an approved contributory provident fund for all its permanent employees to which equal monthly contributions are made, both by the Company and the employees, at the rate of 10% of the basic salary.

4.18 Compensated absences

The Company accounts for compensated absences on the basis of unavailed leave balance of each employee at the balance sheet date.

4.19 Revenue recognition

Revenue comprises of the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the Company's activities. Revenue from sale of goods is shown net of sales tax, special excise duty and sales discount.

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Company and the amount of revenue can be measured reliably. The revenue arising from different activities of the Company is recognized on the following basis:

Sales of goods are recorded when the risks and rewards are transferred, that is, on dispatch of goods to customers.

Scrap sales are recognized on delivery to customers at realized amounts.

Return on deposit is accrued on time proportion basis by reference to the principle outstanding and the applicable rate of return.

Commission on insurance premium is recognized on accrual basis.

4.20 Cash and cash equivalents

Cash and cash equivalents comprise of cash and cheques in hand and balances with banks. Short-term borrowing facilities which are payable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of statement of cash flows.

4.21 Share capital

Share capital is classified as equity and recognized at the face value. Incremental costs, net of tax, directly attributable to the issue of new shares are shown as a deduction in equity.

4.22 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period.

4.23 Dividend and appropriation to reserves

Dividend and appropriations to reserves are recognized in the financial statements in the period in which these are approved.

4.24 Related party transactions

Transactions with related parties are based at arm's length at normal commercial rates on the same terms and conditions as applicable to third party transactions.

4.25 Significant accounting judgements and critical accounting estimates / assumptions

The preparation of financial statements in conformity with approved accounting standards requires the management to:

- exercise its judgment in process of applying the Company's accounting policies, and
- use of certain critical accounting estimates and assumptions concerning the future.

The management has exercised judgment in applying Company's accounting policies for classification of Post Employment Benefits as Defined Benefits Plan and Defined Contribution Plan (note 4.17 and note 37) that have the most significant effects on the amount recognized in the financial statements.

The areas involving critical accounting estimates and significant assumptions concerning the future are discussed below:

a) Income taxes

The Company takes into account relevant provisions of the prevailing income tax laws while providing for current and deferred taxes as explained in note 4.8 of these financial statements.

b) Defined benefits plan

Certain actuarial assumptions have been adopted as disclosed in note 37 of these financial statements for valuation of present value of defined benefit obligation and fair value of plan assets. Any changes in these assumptions in future years might affect actuarial gains / losses recognized in those years with corresponding effect on carrying amount of defined benefit plan liability / asset.

c) Property, plant and equipment

Management has made estimates of residual values, useful lives and recoverable amounts of certain items of property, plant and equipment. Any change in these estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with corresponding effect on the depreciation charge and impairment loss.

d) Stores and spares

Management has made estimates for realizable amount of slow moving and obsolete stores and spares items to determine provision for slow moving and obsolete items. Any future change in the estimated realizable amounts might affect carrying amount of stores and spares with corresponding affect on amounts recognized in profit and loss account as provision / reversal.

Notes to the Financial Statements
for the year ended June 30, 2011

5. OPERATING FIXED ASSETS

The following is the statement of operating fixed assets:

Description	Freehold land	Buildings on freehold land	Lease hold improvements	Plant and machinery (note 5.2 & 5.3)	Furniture and fixtures	Vehicles	Electrical and other equipments	Computers	Total
	(Rupees in thousands)								
Year ended June 30, 2011									
Net carrying value basis									
Opening net book value (NBV)	278,390	1,325,010	-	8,163,921	5,776	43,681	15,272	18,751	9,850,801
Additions (at cost)	-	1,989	-	233,792	524	13,284	4,514	7,244	261,347
Disposals (NBV)	-	-	-	-	-	(3,048)	-	(97)	(3,145)
Depreciation charge	-	(41,157)	-	(676,940)	(1,042)	(9,320)	(5,220)	(10,089)	(743,768)
Closing net book value (note 5.1)	278,390	1,285,842	-	7,720,773	5,258	44,597	14,566	15,809	9,365,235
Gross carrying value basis									
Cost	278,390	1,492,649	6,995	11,608,164	15,505	73,223	36,617	64,244	13,575,787
Accumulated depreciation / impairment	-	(206,807)	(6,995)	(3,887,391)	(10,247)	(28,626)	(22,051)	(48,435)	(4,210,552)
Net book value	278,390	1,285,842	-	7,720,773	5,258	44,597	14,566	15,809	9,365,235
Year ended June 30, 2010									
Net carrying value basis									
Opening net book value (NBV)	271,942	1,344,056	-	8,461,378	6,234	36,095	14,208	24,072	10,157,985
Additions (at cost)	6,448	21,563	-	381,785	518	19,339	5,725	4,378	439,756
Disposals (NBV)	-	-	-	-	-	(3,533)	-	-	(3,533)
Depreciation charge	-	(40,609)	-	(679,242)	(976)	(8,220)	(4,661)	(9,699)	(743,407)
Closing net book value (note 5.1)	278,390	1,325,010	-	8,163,921	5,776	43,681	15,272	18,751	9,850,801
Gross carrying value basis									
Cost	278,390	1,490,660	6,995	11,379,993	14,981	68,104	32,349	59,122	13,330,594
Accumulated depreciation / impairment	-	(165,650)	(6,995)	(3,216,072)	(9,205)	(24,423)	(17,077)	(40,371)	(3,479,793)
Net book value	278,390	1,325,010	-	8,163,921	5,776	43,681	15,272	18,751	9,850,801
Depreciation rate % per annum	-	2.5 to 10	20	5 to 20	10 to 20	20	10 to 33	20 to 33	

5.1 The cost of fully depreciated assets which are still in use as at June 30, 2011 is Rs. 1,393 million and written down value is Rs. 1.46 million (2010: Rs. 807 million and written down value is Rs. 2.53 million).

5.2 The carrying value of assets which are impaired is Rs. 0.21 million (2010: Rs. 0.34 million).

5.3 Included in plant and machinery are some items with a cost of Rs. 16.87 million (written down value Rs. 0.85 million) [2010: Rs. 16.87 million (written down value Rs. 2.54 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.

Notes to the Financial Statements
for the year ended June 30, 2011

	Note	2011 (Rupees '000)	2010 (Rupees '000)
5.4 The depreciation charge for the year has been allocated as follows:			
Cost of sales	29	723,380	724,269
General and administrative expenses	30	19,298	18,484
Selling and distribution expenses	31	1,090	654
		743,768	743,407

5.5 The following operating fixed assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Net Book value	Sale proceeds	Mode of disposal (Note 5.5.1)	Particulars of buyers
	(Rupees in thousands)					
Plant and Machinery						
Items having book value upto Rs. fifty thousand	5,621	5,621	-	-	Various	-
Vehicles						
Honda City	1,036	677	359	306	Sale (Employee)	Mr. Naveed Athar
Honda Civic	1,002	701	301	325	Sale (Employee)	Mr. Karamatullah Khan Niazi
Toyota Corolla GLI	969	678	291	312	Sale (Employee)	Mr. Tanveer Ahmed Khalid
Toyota Corolla GLI	969	678	291	378	Sale (Employee)	Mr. Jameel Ahmad Khalid
Honda City	835	584	251	266	Sale (Employee)	Mr. Mansoor Ahmed
Suzuki Cultus	560	392	168	183	Sale (Employee)	Muhammad Rashid Dastagir
Suzuki Mehran	519	73	446	456	Stolen (Insurance Claim)	Century Insurance Company Limited
Suzuki Alto	469	285	184	246	Sale (Employee)	Mr. Hafeez Ahmad Bhutta
Suzuki Mehran	365	192	173	171	Sale (Employee)	Mr. Javaid Raza
Suzuki Mehran	365	192	173	168	Sale (Employee)	Mr. Nadeem Daniel
Suzuki Mehran	365	192	173	171	Sale (Employee)	Mr. Asghar Ali
Suzuki Mehran	365	175	190	181	Sale (Employee)	Mr. Abid Ali Shah
Items having book value upto Rs. fifty thousand	346	298	48	113	Various	-
	8,165	5,117	3,048	3,276		
Electrical and other equipment						
Items having book value upto Rs. fifty thousand	245	245	-	12	Various	-
Computers						
Items having book value upto Rs. fifty thousand	2,122	2,025	97	45	Various	-
Total – 2011	16,153	13,008	3,145	3,333		
Total – 2010	11,432	7,899	3,533	4,930		

5.5.1 The vehicles were sold to employees under the Company car scheme.

Notes to the Financial Statements
for the year ended June 30, 2011

		Note	2011 (Rupees '000)	2010 (Rupees '000)
6.	CAPITAL WORK-IN-PROGRESS			
	This comprises of:			
	Civil works		1,939	-
	Plant and machinery		13,638	22,866
	Advances to suppliers		2,375	5,550
	Other		1,246	-
			19,198	28,416
6.1	Movement of carrying amount			
	Opening balance		28,416	296,362
	Additions (at cost)		192,883	110,850
	Transferred to operating fixed assets		(202,101)	(378,796)
	Closing balance		19,198	28,416
7.	INTANGIBLE ASSETS			
	Computer softwares		722	1,170
	ERP Accounting Software		30,261	40,293
	Computer software - under development		303	-
		7.1	31,286	41,463
7.1	Net carrying value basis			
	Opening net book value		41,463	49,664
	Additions (at cost)		625	2,605
	Amortization charge	30	(10,802)	(10,806)
	Closing net book value		31,286	41,463
	Gross carrying value basis			
	Cost		53,992	53,367
	Accumulated amortization		(22,706)	(11,904)
	Net book value		31,286	41,463
	Amortization rate % per annum		20 – 33.33	20 – 33.33
8.	LONG-TERM LOANS AND ADVANCES			
	Unsecured-considered good			
	Long-term loans	8.1	3,032	2,126
	Long-term advance to suppliers		1,000	2,375
		8.2	4,032	4,501
8.1	Due from employees	8.3	4,196	2,834
	Current portion shown under current assets	13	(1,164)	(708)
		8.4	3,032	2,126

8.2 Chief Executive Officer and Directors have not taken any loans and advances from the Company.

8.3 These loans are granted to employees of the Company principally for purchase of motor vehicles which do not carry mark-up, in accordance with their terms of employment excluding those who have been provided with Company maintained cars.

		Note	2011 (Rupees '000)	2010 (Rupees '000)
8.4	Outstanding period is as under:			
	Less than three years but more than one year		2,913	1,693
	More than three years		119	433
			3,032	2,126
9.	DEFERRED TAXATION			
	Deferred taxation	9.1	-	212,547
9.1	The net balance for deferred taxation is in respect of following temporary differences:			
	Deferred tax assets			
	Taxable loss		1,908,605	2,174,390
	Turnover tax		42,515	-
	Provision for slow moving stores and spares		9,264	8,995
	Others		654	652
			1,961,038	2,184,037
	Deferred tax liabilities			
	Accelerated tax depreciation allowance		(1,961,038)	(1,971,490)
			-	212,547

9.2 Deferred tax asset arising due to timing difference calculated at applicable tax rates as at balance sheet date amounting to Rs. 75.193 million has not been recognized in these financial statements because of uncertainty regarding future profitability.

		Note	2011 (Rupees '000)	2010 (Rupees '000)
10.	STORES AND SPARES			
	Stores		260,062	183,518
	Spares			
	in hand		616,551	532,949
	in transit		27,331	47,960
			643,882	580,909
			903,944	764,427
	Provision for slow moving stores and spares	10.1	(26,469)	(25,700)
		10.2	877,475	738,727
10.1	Provision for slow moving stores and spares comprises of:			
	At beginning of the year		25,700	22,000
	Recognized during the year	29	4,800	3,700
	Written off during the year		(4,031)	-
	At end of the year		26,469	25,700

10.2 Stores and spares also include items which may result in capital expenditure but are not distinguishable at the time of purchase.

Notes to the Financial Statements
for the year ended June 30, 2011

	Note	2011 (Rupees '000)	2010 (Rupees '000)
11. STOCK-IN-TRADE			
Raw materials			
in hand		1,778,997	1,140,212
in transit		485,829	619,847
		2,264,826	1,760,059
Work-in-process		302,830	78,054
Finished goods		101,844	30,801
		2,669,500	1,868,914
12. TRADE DEBTS			
Unsecured-considered good			
Due from associated undertakings	12.1	84,354	62,824
Others		651,493	696,839
		735,847	759,663
12.1 This comprises of amounts receivable from:			
Merit Packaging Limited		54,399	50,556
Colgate-Palmolive (Pakistan) Limited		27,716	8,572
Clover Pakistan Limited		2,193	2,882
Tetley Clover (Private) Limited		46	814
		84,354	62,824

12.2 The maximum amount due from related parties at the end of any month during the year was Rs. 178.63 million (2010: Rs. 137.30 million).

	Note	2011 (Rupees '000)	2010 (Rupees '000)
13. LOANS AND ADVANCES			
Unsecured-considered good			
Loans			
Current portion of long-term loans			
Due from employees	8.1	1,164	708
Advances			
to employees	13.1	1,008	3,491
to suppliers		53,745	83,703
		54,753	87,194
	13.2	55,917	87,902

13.1 The advances to employees are provided to meet business expenses and are settled as and when the expenses are incurred.

13.2 Chief Executive Officer and Directors have not taken any loans and advances from the Company.

		Note	2011 (Rupees '000)	2010 (Rupees '000)
14.	TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
	Deposits		8,975	5,868
	Prepayments		387	1,100
			9,362	6,968
15.	OTHER RECEIVABLES			
	Unsecured-considered good			
	Due from associated undertakings	15.1	7,563	5,540
	Others		16,328	4,624
			23,891	10,164
15.1	This comprises of amounts receivable from:			
	Century Insurance Company Limited		7,563	4,601
	Merit Packaging Limited		-	585
	Colgate-Palmolive (Pakistan) Limited		-	233
	Cyber Internet Services (Private) Limited		-	121
			7,563	5,540
16.	TAX REFUNDS DUE FROM GOVERNMENT			
	Considered good			
	Income tax	16.1	12,206	8,882
	Sales tax and special excise duty		56,365	45,044
			68,571	53,926

16.1 The above figure includes net refund for the tax year 2008, 2009 and 2010 amounting to Rs. 3.89 million, Rs. 4.62 million and Rs. 3.32 million respectively. During the year, the Company has received tax refund of Rs. 121.84 million out of claimed refund of Rs. 125.16 million for the tax year 2010.

17. TAXATION - NET

The income tax assessments of the Company have been finalized upto tax year 2008 (accounting year ended June 30, 2008) and tax return for tax year 2010 has been duly submitted to tax authorities. Return for the tax year 2009 has been selected for audit under Section 177 of the Income Tax Ordinance 2001 which is pending. Adequate provisions have been made in these financial statements for the year ended June 30, 2011 (tax year 2011).

			2011 (Rupees '000)	2010 (Rupees '000)
18.	CASH AND BANK BALANCES			
	At banks			
	current accounts		12,708	19,493
	In hand			
	cheques		113,424	243,279
	cash		3,787	2,158
			129,919	264,930

Notes to the Financial Statements
for the year ended June 30, 2011

2011	2010		2011 (Rupees '000)	2010 (Rupees '000)
19. ORDINARY SHARES				
Number of ordinary shares of Rs. 10/- each				
56,473,830	56,473,830	Fully paid in cash	564,738	564,738
13,502,046	13,502,046	Issued as fully paid bonus shares	135,021	135,021
69,975,876	69,975,876		699,759	699,759
707,550	707,550	Issued under scheme of amalgamation	7,075	7,075
70,683,426	70,683,426		706,834	706,834
43,118,360	43,118,360	Shares held by associated companies	431,184	431,184
20. PREFERENCE SHARES				
Number of preference shares of Rs. 10/- each				
300,404,561	300,404,561	Fully paid in cash	3,004,046	3,004,046
298,915,541	298,915,541	Shares held by associated companies	2,989,155	2,989,155

20.1 The Company has issued 300,404,561 preference right shares of the face value of Rs. 10 each, aggregating to Rs. 3,004,045,610 in the proportion of 4.25 preference shares for every ordinary share held. These shares are not listed on any of the stock exchanges in Pakistan.

20.2 Annual dividends will be payable at 13% per annum on the face value of such preference shares, when and if declared by the Company but shall be paid on cumulative basis prior to any dividend or other distribution payable to the ordinary shareholders. The cumulative dividend as at balance sheet date amounted to Rs. 644.11 million (2010: Rs. 253.58 million).

20.3 The preference shareholders do not have any voting rights and are not entitled to receive any notice for meeting of shareholders and will not be entitled to any rights in respect of subscription of further issue of ordinary shares of the Company.

20.4 The Company shall have the option, but is not obliged, to redeem the preference shares issue in full or in part, within ninety days of the end of the completion of each quarter, commencing from the expiry of third anniversary of the issue (each successive quarter shall be referred to as "Redemption Period") by giving at least thirty days notice. If the Company exercises its option during any Redemption Period, the amount of redemption shall be determined by the Company; however, a minimum of 1/10th portion of the total issue size of the preference shares shall be redeemed by the Company during such Redemption Period. The redemption will be at the option and discretion of the Company and subject to availability of funds and compliance with the provisions of Section 85 of the Companies Ordinance, 1984. Redemption shall be at face (par) value i.e. Rs. 10 each. Any accumulated (but unpaid) dividend will be payable on pro-rata basis to the preference shareholders at the time of redemption.

	Note	2011 (Rupees '000)	2010 (Rupees '000)
21. RESERVES			
Capital			
Share premium	21.1	984,652	984,652
Merger reserve	21.2	7,925	7,925
		992,577	992,577
Revenue			
General reserve		1,232,750	1,232,750
Accumulated loss		(636,535)	(1,041,650)
		596,215	191,100
	21.3	1,588,792	1,183,677

21.1 This reserve can be utilized by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

21.2 This represents amount arising under scheme of arrangement for amalgamation of former Century Power Generation Limited, a subsidiary, with the Company.

21.3 Movement of reserves have been reflected in the statement of changes in equity.

	Note	2011 (Rupees '000)	2010 (Rupees '000)
22. SUBORDINATED LOAN - UNSECURED			
From Sponsors of the Company	22.1	1,000,000	1,000,000

22.1 This loan has been obtained from Sponsors of the Company to partially finance the cost of Board Machine (PM-7). It was converted to subordinated loan to the repayment of Islamic Sukuk Certificates of Rs. 3,500 million (note 23.1) and Syndicated Term Finance Facility of Rs. 2,000 million (note 23.2) at the time of execution of these joint facility agreements.

These loans carried mark-up at 11% per annum. The loan is repayable after the expiry of lock-in-period (expiry of five years from the disbursement of Financiers' facilities) as stipulated in the Subordination Agreement.

	Note	2011 (Rupees '000)	2010 (Rupees '000)
23. LONG-TERM FINANCING			
From banking companies - secured			
Utilized under mark-up arrangements			
Financed by:			
Islamic Sukuk Certificates	23.1	2,450,000	3,150,000
Consortium of Banks (Syndicated)	23.2	1,775,000	1,925,000
		4,225,000	5,075,000
Less: Current portion shown under current liabilities		(850,000)	(850,000)
		3,375,000	4,225,000

23.1 This represents Sukuk Certificates privately placed with banks and other institutional investors under diminishing musharaka arrangement specifically for acquisition of Board Machine (PM-7) for a period of seven years. The certificates are redeemable in ten equal semi annual installments which commenced from March 2010.

The agreement gives an exclusive use of the Musharaka assets to the Company (Issuer) only against the rental payments.

Rental payments are calculated to provide return to Certificate Holders equal to base rate plus margin plus Service Agency Expenses incurred by the Trustee during the previous semi annual period. Base rate is equal to average of six months KIBOR of last five business days prior to beginning of each semi annual rental payment period. The margin is equal to 1.35% per annum. During the period effective mark-up rate was 14.33% (2010: 13.91%).

These are secured by way of mortgage of immovable properties of the Company and first pari passu hypothecation charge over the assets pertaining to Board Machine (PM-7) to the extent of beneficial right of the Certificate Holders with 25% margin.

23.2 This syndicated term finance facility has been obtained from a consortium of banks under joint facility arrangement with Sukuk Financing amounting to Rs. 2,000 million specifically for Board Machine (PM-7). The tenor of the facility is nine years with twenty four months grace period. This finance facility is repayable in fourteen stepped up semi annual installments which commenced from March 2010.

The finance facility is secured by way of mortgage of immovable properties of the Company and first pari passu hypothecation charge over the assets pertaining to Board Machine (PM-7) with 25% margin.

The rate of mark-up is 1.50% per annum over average of six months KIBOR of the last five business days prior to the beginning of each installment period. During the period effective mark-up rate was 14.51% (2010: 14.06%).

	Note	2011 (Rupees '000)	2010 (Rupees '000)
24. TRADE AND OTHER PAYABLES			
Creditors		374,079	347,470
Foreign bills payable		253,909	306,408
Accrued liabilities		163,005	164,684
Customers' balances		117,597	64,477
Provident fund payable		3,476	2,851
Gratuity payable	37.4	1,867	1,861
Workers' profit participation fund	24.2	39,457	3,791
Workers' welfare fund	32	14,994	1,441
Unclaimed dividend		736	736
Security deposits		3,844	1,050
Other liabilities		32,367	21,512
		1,005,331	916,281

24.1 The aggregate amount of the outstanding balance of associated undertakings as at June 30, 2011 is Rs. 2.92 million (2010: Rs. 7.08 million).

	Note	2011 (Rupees '000)	2010 (Rupees '000)
24.2 Workers' profit participation fund			
Balance at July 01		3,791	100
Interest on fund utilized in Company's business		214	-
Allocation for the year	32	39,457	3,791
		43,462	3,891
Amount paid during the year		(4,005)	(100)
Balance at June 30		39,457	3,791

	Note	2011 (Rupees '000)	2010 (Rupees '000)
25. FINANCIAL CHARGES PAYABLE			
Financial charges payable on:			
Long-term financing		384,937	292,582
Short-term borrowings		60,649	12,498
		445,586	305,080
26. SHORT-TERM BORROWINGS			
From Sponsors - unsecured	26.1	400,000	400,000
From Banking Companies - secured			
Running finances	26.2	641,996	1,144,581
Import credit finances	26.3	1,050,916	333,779
	26.4	1,692,912	1,478,360
		2,092,912	1,878,360

26.1 This short-term finance of Rs. 400 million has been obtained to meet working capital requirements. The loan carries mark-up at 11% per annum. This short-term finance is repayable in lump sum by November 09, 2011.

26.2 The Company has aggregate short-term running finance facilities amounting to Rs. 2,235 million (2010: Rs. 2,125 million). Mark-up rates are linked with KIBOR from one to three months plus spreads ranging from 1% to 1.50% per annum (2010: from 1% to 1.50% per annum).

26.3 The Company has aggregate sub-limits for FE loans under facilities for running finance and letter of credits amounting to Rs. 2,030 million (2010: Rs. 1,870 million). An amount of US$ 12.22 million (2010: US$ 3.90 million) from banks for settlement of import bills is outstanding as at balance sheet date. This facility is priced at one month and three months LIBOR plus spreads ranging between 2.50% to 3.70% per annum (2010: from 2.00% to 3.00%).

26.4 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.

26.5 Additionally the Company has the facilities for opening of letters of credit and guarantees amounting to Rs. 2,614 million (2010: Rs. 2,639 million).

27. CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

Guarantees have been issued by banks on behalf of the Company in the normal course of business aggregating to Rs. 278.58 million (2010: Rs. 274.58 million).

27.2 Commitments

The Company's commitments as at balance sheet date are as follows:

a) Letters of credit other than for capital expenditure at the end of the year amounted to Rs. 437.46 million (2010: Rs. 839.26 million).

b) Capital expenditure including letters of credit amounted to Rs. 119.09 million (2010: Rs. 18.85 million).

Notes to the Financial Statements
for the year ended June 30, 2011

	Note	2011 (Rupees '000)	2010 (Rupees '000)
28. SALES			
Gross sales - local		13,950,540	11,321,389
- export		8,197	1,663
		13,958,737	11,323,052
Sales tax		(1,994,811)	(1,525,226)
Special excise duty		(174,638)	(95,515)
Sales discount		(10,234)	-
		(2,179,683)	(1,620,741)
		11,779,054	9,702,311
29. COST OF SALES			
Materials consumed		6,772,721	5,270,028
Fuel and power		1,367,857	1,157,140
Depreciation on property, plant and equipment	5.4	723,380	724,269
Salaries, wages and other benefits	29.1	417,843	359,100
Stores and spares consumed		127,376	146,932
Repairs and maintenance		385,228	337,903
Packing expenses		218,315	163,844
Insurance		43,768	50,571
Provision for slow moving stores and spares	10.1	4,800	3,700
Rent, rates and taxes		4,057	4,009
Manufacturing cost		10,065,345	8,217,496
Work-in-process			
Opening stock		78,054	114,138
Closing stock		(302,830)	(78,054)
		(224,776)	36,084
Cost of goods manufactured		9,840,569	8,253,580
Finished goods			
Opening stock		30,801	32,493
Closing stock		(101,844)	(30,801)
		(71,043)	1,692
		9,769,526	8,255,272

29.1 Salaries, wages and other benefits includes Rs. 28.71 million (2010: Rs. 26.76 million) in respect of staff retirement benefits.

		Note	2011 (Rupees '000)	2010 (Rupees '000)
30.	GENERAL AND ADMINISTRATIVE EXPENSES			
	Salaries and other benefits	30.1	135,099	109,071
	Depreciation on property, plant and equipment	5.4	19,298	18,484
	Amortization on intangible assets	7.1	10,802	10,806
	Rent, rates and taxes		6,621	6,773
	Communication		9,099	8,395
	Insurance		1,862	4,326
	Repairs and maintenance		1,959	2,742
	Electricity		4,766	4,788
	Fees and subscription		7,324	8,506
	Advertisement and publicity		296	534
	Travelling and conveyance		8,208	11,497
	Security service charges		15,319	13,941
	Printing, stationery and periodicals		5,645	5,615
	Business promotion expenses		1,182	1,627
			227,480	207,105

30.1 Salaries and other benefits include Rs. 10.37 million (2010: Rs. 9.40 million) in respect of staff retirement benefits.

		Note	2011 (Rupees '000)	2010 (Rupees '000)
31.	SELLING AND DISTRIBUTION EXPENSES			
	Selling expenses			
	Salaries and other benefits	31.1	25,846	20,972
	Sales commission		15,502	-
	Insurance		350	286
	Electricity		885	677
	Depreciation	5.4	1,090	654
	Travelling and conveyance		1,754	1,507
	Rent, rates and taxes		1,485	1,125
	Export related expenses		314	218
	Communication		444	586
			47,670	26,025
	Distribution expenses			
	Outward freight		57,490	53,507
			105,160	79,532

31.1 Salaries and other benefits include Rs. 2.12 million (2010: Rs. 1.89 million) in respect of staff retirement benefits.

Notes to the Financial Statements
for the year ended June 30, 2011

	Note	2011 (Rupees '000)	2010 (Rupees '000)
32. OTHER OPERATING CHARGES			
Legal and professional charges		6,069	1,844
Auditors' remuneration			
Statutory audit		550	550
Half yearly review		100	80
Fee for other services		170	150
Reimbursement of expenses		56	78
		876	858
Workers' profit participation fund	24.2	39,457	3,791
Workers' welfare fund	32	14,994	1,401
Net exchange loss		5,685	14,856
Others		469	256
		67,550	23,006
33. OTHER OPERATING INCOME			
Income from financial assets			
Profit on bank deposit accounts		94	6,497
Income from non-financial assets			
Sale of scrap		76,321	57,493
Insurance agency commission from associated company		7,279	6,022
Profit on sale of fixed assets - net		188	1,397
Others		4,516	2,927
		88,304	67,839
		88,398	74,336
34. FINANCIAL CHARGES			
Financial charges on:			
Long-term financing		777,855	985,976
Short-term borrowings		137,977	92,491
Short-term loan from sponsors and associated undertakings		44,000	58,608
Workers' profit participation fund	24.2	214	-
		960,046	1,137,075
Bank charges and commission		2,996	4,024
		963,042	1,141,099
35. TAXATION			
For the year			
Current	35.1	118,195	48,916
Prior		(1,163)	1,842
Deferred		212,547	(22,441)
		329,579	28,317

35.1 In view of tax loss for the year, provision for current year represents minimum tax payable under Section 113 of the Income Tax Ordinance and tax deducted at source on export (Section 154) and insurance agency commission (Section 233) of that Ordinance under final tax regime.

			2011 %age	2010 %age
35.2	Numerical reconciliation between the applicable tax rate and average effective tax rate is as follows:			
	Applicable tax rate		35.00	35.00
	Tax effect of expenses that are not deductible in determining taxable profit (permanent differences)		10.24	3.90
	Effect of final tax under presumptive tax regime		(0.22)	(1.42)
	Effect of change in prior year tax		(0.16)	2.61
			9.86	5.09
	Average effective tax rate		44.86	40.09

36. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the Company.

37. DEFINED BENEFIT PLAN

37.1 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, 2010 (including estimates for the year ended June 30, 2011), using the Projected Unit Credit Method.

		Note	2011 (Rupees '000)	2010 (Rupees '000)
37.2	Principal actuarial assumptions			
	Following are a few important actuarial assumptions used in the valuation:			
	Discount rate (%)		12	12
	Expected rate of return on plan assets (%)		12	12
	Expected rate of increase in salary (%)		12	12
	Average expected remaining working life time of employees (years)		7	7
37.3	Reconciliation of balance due to defined benefit plan			
	Present value of defined benefit obligation		161,064	133,868
	Fair value of plan assets		(133,199)	(100,507)
			27,865	33,361
	Net actuarial loss to be recognized in later periods		(25,998)	(31,500)
	Closing net liability		1,867	1,861
37.4	Movement of the liability recognized in the balance sheet			
	Opening net liability		1,861	2,308
	Charge for the year	37.8	22,402	22,328
	Contribution to fund made during the year		(22,396)	(22,775)
	Closing net liability	24	1,867	1,861

		2011 (Rupees '000)	2010 (Rupees '000)
37.5	Fair value of plan assets at year end		
	Government Securities	98,620	57,251
	Term Finance Certificates / Certificates of Investment	3,077	14,578
	Mutual funds / Shares	22,432	18,126
	Others	9,070	10,552
		133,199	100,507
37.6	Movement in Present Value of Defined Benefit Obligations		
	Opening present value	133,868	109,952
	Current service cost for the year	15,811	12,888
	Interest cost for the year	16,064	13,194
	Benefits due but not paid during the year	(1,058)	(1,137)
	Benefits paid during the year	(3,621)	(3,720)
	Actuarial loss	-	2,691
	Closing present value	161,064	133,868
37.7	Movement in Fair Value of Plan Assets		
	Opening fair value	100,507	66,813
	Expected return on plan assets	12,061	8,017
	Contributions during the year	22,396	22,775
	Benefits paid during the year	(3,621)	(4,857)
	Benefits due but not paid during the year	(1,058)	-
	Actuarial gain on plan assets	2,914	7,759
	Closing fair value	133,199	100,507
37.8	Charge for the year		
	Current service cost	15,811	12,888
	Interest cost	16,064	13,195
	Expected return on plan assets	(12,061)	(8,017)
	Actuarial losses recognized during the year	2,588	4,262
	Charge for the year	22,402	22,328

(Rupees in thousands)

		2010-11	2009-10	2008-09	2007-08	2006-07
37.9	Comparison for five years					
	a) Present value of Defined Benefits Obligation and Fair Value of Plan Assets					
	Present value of defined benefits obligations at year end	161,064	133,868	109,952	87,772	70,175
	Fair value of plan assets at year end	133,199	100,507	66,813	71,905	70,074
		(27,865)	(33,361)	(43,139)	(15,867)	(101)
	b) Experience adjustments					
	Experience adjustment arising on plan liabilities gains	-	2,691	7,864	4,944	6,044
	Experience adjustment arising on plan assets gains/(losses)	2,915	7,659	(22,694)	(5,974)	6,775
	Actual return on plan assets	14,976	15,776			

Notes to the Financial Statements
for the year ended June 30, 2011

37.10 The charge in respect of defined benefit plan for the year ending June 30, 2012 is estimated to be Rs. 22.402 million.

	Note	2011 (Rupees '000)	2010 (Rupees '000)
38. CASH GENERATED FROM OPERATIONS			
Profit before taxation		734,694	70,633
Adjustment for non-cash charges and other items:			
Depreciation		743,768	743,407
Amortization of intangible assets		10,802	10,806
Gain on sale of fixed assets		(188)	(1,397)
Provision for gratuity		22,402	22,328
Provision for slow moving / obsolete stores and spares		4,800	3,700
Workers' profit participation fund		39,457	3,791
Profit on bank deposit accounts		(94)	(6,497)
Financial charges	34	963,042	1,141,099
Working capital changes	38.1	(877,363)	(919,995)
		1,641,320	1,067,875
38.1 Working capital changes			
(Increase) / decrease in current assets:			
Stores and spares		(143,548)	(132,090)
Stock-in-trade		(800,586)	(511,462)
Trade debts		23,816	(255,534)
Loans and advances		31,985	(25,386)
Trade deposits and short-term prepayments		(2,394)	13,658
Other receivables		(13,727)	(6,163)
Tax refunds due from Government - Sales tax and special excise duty		(11,321)	(45,044)
		(915,775)	(962,021)
Increase in current liabilities:			
Trade and other payables (excluding unclaimed dividend and gratuity payable)		38,412	42,026
		(877,363)	(919,995)
39. CASH FLOWS FROM OPERATING ACTIVITIES (DIRECT METHOD)			
Cash receipt from customers		11,932,311	9,406,141
Cash paid to suppliers / service providers and employees		(10,290,991)	(8,338,266)
Financial charges paid		(822,536)	(1,430,889)
Taxes paid		(58,348)	(86,947)
Gratuity paid		(22,396)	(22,775)
Workers' profit participation fund paid		(3,791)	-
Long-term loans and advances - net		469	(337)
Long-term deposits - net		80	(100)
Net cash generated from / (used in) operating activities		734,798	(473,173)

Notes to the Financial Statements
for the year ended June 30, 2011

40. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

a) The aggregate amount charged in the financial statements for remuneration, including all benefits to Chief Executive, Directors and Executives of the Company is as follows:

	2011				2010			
	Chief Executive	Director	Executives	Total	Chief Executive	Director	Executives	Total
	(Rupees in thousands)							
Managerial remuneration	4,985	9,060	50,024	64,069	4,405	9,060	36,631	50,096
House rent	2,243	-	21,077	23,320	1,982	-	15,230	17,212
Bonus	831	-	7,299	8,130	735	-	4,950	5,685
Staff retirement benefits	1,178	-	10,283	11,461	1,176	-	8,056	9,232
Medical	499	900	5,003	6,402	440	900	3,663	5,003
Utilities	-	1,908	284	2,192	-	1,288	285	1,573
Others	9	-	1,577	1,586	122	-	1,035	1,157
Total	9,745	11,868	95,547	117,160	8,860	11,248	69,850	89,958
Number of persons	1	1	50	52	1	1	40	42

b) Aggregate amount charged in these financial statements in respect of Directors' fee is Rs.1,500 (2010: Rs. 2,500).

c) The Chief Executive and certain executives are also provided with cars in accordance with the Company car scheme.

41. TRANSACTIONS AND BALANCES 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 are as under:

Relation with the Company	Nature of transaction	Note	2011 (Rupees '000)	2010 (Rupees '000)
Associated companies	Sales of goods and services		1,214,985	954,253
	Purchase of goods and services		127,992	117,694
	Rent and other allied charges		4,069	4,350
	Insurance agency commission		7,279	6,022
	Sale of fixed assets		-	510
	Insurance claims		839	191
	Short-term finance repaid		-	650,000
	Mark-up accrued on short-term finance		-	4,542
	Issue of right preference shares		-	2,989,155
Other related parties	Purchase of goods and services		12,761	5,508
Sponsors and Directors	Issue of right preference shares		-	177
	Long-term financing repaid		-	2,820,000
	Short-term financing obtained		-	1,100,000
	Short-term financing repaid		-	700,000
	Mark-up accrued		154,000	340,792
Retirement benefit plans	Contribution to staff retirement benefit plans		41,199	38,575
Key management personnel	Remuneration and other benefits	40	117,160	89,958
41.1 Year end balances				
Receivable from related parties			91,917	68,364
Payable to related parties			2,914	7,076
Long-term financing from sponsors			1,000,000	1,000,000
Short-term financing from sponsors			400,000	400,000
Mark-up payable on sponsors' loan			259,425	105,425

41.2 There are no transactions with key management personnel other than under their terms of employment.

	2011 Annual capacity on three shifts	2011 Actual production	2010 Annual capacity on three shifts	2010 Actual production
42. CAPACITY AND PRODUCTION - TONNES				
Paper and paper board produced (Note: 42.1)	240,000	159,246	240,000	166,167
Paper and paper board conversion	22,000	20,910	22,000	20,390

42.1 The Company could not achieve the installed capacity because of forced shutdown of plant due to gas shortages during the year.

	Note	2011 Interest / mark-up bearing: Total	Maturity upto one year	Maturity after one year	Sub-total	Non-interest /mark-up bearing
		(Rupees in thousands)				
43. FINANCIAL ASSETS AND LIABILITIES						
Financial assets						
Long-term loans		4,196	-	-	-	4,196
Long-term deposits		2,825	-	-	-	2,825
Trade debts		735,847	-	-	-	735,847
Trade deposits		8,975	-	-	-	8,975
Other receivables		23,891	-	-	-	23,891
Cash and bank balances		129,919	-	-	-	129,919
		905,653	-	-	-	905,653
Financial liabilities						
Subordinated loan		1,000,000	-	1,000,000	1,000,000	-
Long-term financing		4,225,000	850,000	3,375,000	4,225,000	-
Trade and other payables		832,020	-	-	-	832,020
Financial charges payable		445,586	-	-	-	445,586
Short-term borrowings		2,092,912	2,092,912	-	2,092,912	-
		(8,595,518)	(2,942,912)	(4,375,000)	(7,317,912)	(1,277,606)
On balance sheet gap		(7,689,865)	(2,942,912)	(4,375,000)	(7,317,912)	(371,953)
Off balance sheet items						
Letter of credits	27.2 (a)	437,460	-	-	-	437,460
Capital commitments	27.2 (b)	119,090	-	-	-	119,090
		(556,550)	-	-	-	(556,550)
Total Gap		(8,246,415)	(2,942,912)	(4,375,000)	(7,317,912)	(928,503)

	Note	2010				
		Interest / mark-up bearing				Non-interest /mark-up bearing
		Total	Maturity upto one year	Maturity after one year	Sub-total	
		(Rupees in thousands)				
Financial assets						
Long-term loans		2,834	-	-	-	2,834
Long-term deposits		2,905	-	-	-	2,905
Trade debts		759,663	-	-	-	759,663
Trade deposits		5,868	-	-	-	5,868
Other receivables		10,164	-	-	-	10,164
Cash and bank balances		264,930	-	-	-	264,930
		1,046,364	-	-	-	1,046,364
Financial liabilities						
Subordinated loan		1,000,000	-	1,000,000	1,000,000	-
Long-term financing		5,075,000	850,000	4,225,000	5,075,000	-
Trade and other payables		842,477	-	-	-	842,477
Financial charges payable		305,080	-	-	-	305,080
Short-term borrowings		1,878,360	1,878,360	-	1,878,360	-
		(9,100,917)	(2,728,360)	(5,225,000)	(7,953,360)	(1,147,557)
On balance sheet gap		(8,054,553)	(2,728,360)	(5,225,000)	(7,953,360)	(101,193)
Off balance sheet items						
Letters of credit	27.2 (a)	839,260	-	-	-	839,260
Capital commitments	27.2 (b)	18,850	-	-	-	18,850
		(858,110)	-	-	-	(858,110)
Total Gap		(8,912,663)	(2,728,360)	(5,225,000)	(7,953,360)	(959,303)

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

44.1 Risk management policies

The Company's objective in managing risks is the creation and protection of share holders' value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to credit risk, liquidity risk and market risk (which includes interest rate risk and price risk) arising from the financial instruments it holds.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

44.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted and arises principally from trade and other receivables. The Company's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulatory requirements.

Exposure to credit risk

The carrying amounts of the financial assets represent the maximum credit exposures. Out of total financial assets of Rs. 905.65 million (2010: Rs. 1,046.36 million), the financial assets which are subject to credit risk amounted to Rs. 901.87 million (2010: Rs. 1,044.21 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	2011 (Rupees '000)	2010 (Rupees '000)
Loans and deposits	15,996	11,607
Trade debts	735,847	759,663
Other receivables	23,891	10,164
Bank balances	126,132	262,772
	901,866	1,044,206
The aging of trade receivable at the reporting date is:		
Not past due	512,447	596,716
Past due 1-30 days	203,790	155,577
Past due 30-90 days	13,746	5,407
Past due 90 days	5,864	1,964
	735,847	759,664

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties. Sales made to certain customers are secured through letters of credit.

The exposure to banks is managed by dealing with variety of major banks and monitoring exposure limits on continuous basis.

Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly affected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

Impaired assets

During the year no assets have been impaired.

44.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements, if any:

	Carrying Amount	Contractual Cash Flows	Six months or less	Six to Twelve months	One to two years	Two to Five years	Over five years
	(Rupees in thousands)						
2011							
Long-term financing	5,225,000	7,697,372	635,129	764,893	1,440,917	3,177,208	1,679,225
Trade and other payables	832,020	832,020	832,020	-	-	-	-
Finanacial charges payable	445,586	445,586	445,586	-	-	-	-
Short-term borrowings	2,092,912	2,108,704	2,108,704	-	-	-	-
	8,595,518	11,083,682	4,021,439	764,893	1,440,917	3,177,208	1,679,225
2010							
Long-term financing	6,075,000	9,058,909	650,110	798,815	1,517,741	3,668,141	2,424,102
Trade and other payables	842,477	842,477	842,477	-	-	-	-
Financial charges payables	305,080	305,080	305,080	-	-	-	-
Short-term borrowings	1,878,360	1,889,360	1,889,360	-	-	-	-
	9,100,917	12,095,826	3,687,027	798,815	1,517,741	3,668,141	2,424,102

44.4 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

a) Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company's exposure to foreign currency risk is as follows:

	2011 (Rupees '000)	2010 (Rupees '000)
Trade payables	80,818	-
Foreign bills payable	253,909	306,408
Import credit finances	1,050,916	333,779
Trade debts	(3,468)	-
Gross balance sheet exposure	1,382,175	640,187
Outstanding letter of credits	556,040	858,110
Net exposure	1,938,215	1,498,297

The following significant exchange rates have been applied

	Average rate		Reporting date rate	
	2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees
USD to PKR	85.57	84.00	86.05	85.60

At reporting date, if the PKR had strengthened by 10% against the US Dollar with all other variables held constant, post-tax profit for the year would have been higher/lower by the amount shown below, mainly as a result of net foreign exchange gain on net foreign currency exposure at reporting date.

	Average rate		Reporting date rate	
	2011 (Rupees '000)	2010 (Rupees '000)	2011 (Rupees '000)	2010 (Rupees '000)
Effect on profit	194,326	146,758	195,416	149,554

The weakening of the PKR against US Dollar would have had an equal but opposite impact on the post-tax profit.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long-term loans and short-term borrowings. At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments is:

	2011	2010	2011	2010
	Effective rate (In percent)		Carrying amount (Rupees '000)	
Financial Liabilities				
Variable rate instruments				
Islamic Sukuk Certificates	14.33	13.91	2,450,000	3,150,000
Long-term loans	11.00 – 14.51	11.00 – 14.06	2,775,000	2,925,000
Short-term borrowings	11.00 – 9.40	11.00 – 13.92	2,092,912	1,878,360

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / decreased profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the prior year.

	Profit and loss	
	100 bp increase	100 bp decrease
	(Rupees in thousands)	
As at June 30, 2011		
Cash flow sensitivity - Variable rate financial liabilities	(73,179)	73,179
As at June 30, 2010		
Cash flow sensitivity - Variable rate financial liabilities	(79,535)	79,535

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

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 the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction.

46. CAPITAL MANAGEMENT

The Company's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders through the optimisation of the debt and equity balance.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or adjust the amount of dividends paid to shareholders.

The Company management believes on maintaining appropriate mix of debt and equity capital and monitors capital on the basis of the net debt to equity ratio. The net debt is defined as long and short term borrowings offset by cash and bank balances. The equity includes ordinary and preference share capital, all types of reserves that are managed as capital and subordinated loan.

The Company is not subject to any externally imposed capital requirements.

Notes to the Financial Statements
for the year ended June 30, 2011

47. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on July 29, 2011 by the Board of Directors of the Company.

48. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and for better presentation. Significant changes made during the year were as follows:

a) Foreign bills payable amounting to Rs. 306.40 million previously included in “Creditors” under the head of “Trade and other payables” has now been separately disclosed (note 24).

b) Consumable stores and spares for the year ended June 30, 2010 amounting to Rs. 146.93 million, previously included under the head of “Repair and maintenance” has now been separately disclosed under “Cost of sales” (note 29).

c) The following expenses for the year ended June 30, 2010, previously shown under “Cost of sales” (note 29) have now been presented under “General and administrative expenses” (note 30):

Expense head	Rupees in million
Security services charges	9.49
Travelling and conveyance	2.87
Printing, stationery and periodicals	3.31
Communication	0.55
Amortization of intangible assets	0.23

49. GENERAL

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

Aftab Ahmad
Chief Executive Officer

Tasleemuddin Ahmed Batlay
Director

Shareholding Pattern
as at June 30, 2011

NO. OF SHAREHOLDERS	SHAREHOLDING From	To		TOTAL SHARES HELD
263	1	100	shares	8,637
306	101	500	shares	98,464
212	501	1,000	shares	182,101
412	1,001	5,000	shares	1,026,675
111	5,001	10,000	shares	872,553
50	10,001	15,000	shares	632,514
22	15,001	20,000	shares	394,879
18	20,001	25,000	shares	416,473
7	25,001	30,000	shares	196,949
4	30,001	35,000	shares	126,321
5	35,001	40,000	shares	187,907
5	40,001	45,000	shares	217,050
6	45,001	50,000	shares	294,148
4	50,001	55,000	shares	218,626
3	55,001	60,000	shares	171,030
3	60,001	65,000	shares	189,033
3	65,001	70,000	shares	208,100
1	70,001	75,000	shares	74,120
2	75,001	80,000	shares	158,561
1	85,001	90,000	shares	86,262
1	90,001	95,000	shares	92,854
4	95,001	100,000	shares	398,170
3	100,001	105,000	shares	306,002
1	105,001	110,000	shares	106,000
2	110,001	115,000	shares	227,700
1	115,001	120,000	shares	117,991
3	120,001	125,000	shares	366,511
1	125,001	130,000	shares	129,800
1	130,001	135,000	shares	132,000
1	140,001	145,000	shares	142,989
1	145,001	150,000	shares	148,500
3	195,001	200,000	shares	600,000
1	250,001	255,000	shares	253,500
1	300,001	305,000	shares	304,900
1	310,001	315,000	shares	313,700
1	315,001	320,000	shares	318,500
1	320,001	325,000	shares	325,000
1	355,001	360,000	shares	357,590
1	360,001	365,000	shares	364,925
1	405,001	410,000	shares	405,214
1	525,001	530,000	shares	528,566
1	680,001	685,000	shares	682,086
1	740,001	745,000	shares	743,086
1	780,001	785,000	shares	781,220
1	965,001	970,000	shares	969,345
1	1,340,001	1,345,000	shares	1,343,034
1	1,545,001	1,550,000	shares	1,549,865
1	1,675,001	1,680,000	shares	1,676,880
1	1,915,001	1,920,000	shares	1,916,525
1	2,355,001	2,360,000	shares	2,357,636
1	5,550,001	5,555,000	shares	5,552,533
1	5,770,001	5,775,000	shares	5,774,324
1	5,950,001	5,955,000	shares	5,952,112
1	14,015,001	14,020,000	shares	14,016,675
1	15,665,001	15,670,000	shares	15,667,290
1,483			TOTAL	70,683,426

Categories of Shareholders

CATEGORIES OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Directors, CEO and their spouses & minor childern	36,482	0.05
Associated Companies / Undertakings and Related Parties	43,128,313	61.02
NIT and ICP	5,696,522	8.06
Public Sector Companies and Corporations	2,357,736	3.34
Banks, Development Financial Institutions and Non-Banking Financial Institutions	2,500,563	3.54
Modaraba and Mutual Funds	1,139,140	1.61
Insurance Companies	823,400	1.16
General Public	9,981,191	14.12
Others	5,020,079	7.10
TOTAL	70,683,426	100.00

Shareholding Information
for the year ended June 30, 2011

CATEOGRIES OF SHAREHOLDERS		SHARES HELD
ASSOCIATED COMPANIES / UNDERTAKINGS AND RELATED PARTIES		
SIZA Services (Private) Limited		15,667,290
SIZA (Private) Limited		14,016,675
Premier Fashions (Private) Limited		5,952,112
SIZA Commodities (Private) Limited		5,774,324
Accuray Surgicals Limited		1,343,034
Century Insurance Company Limited		364,925
Gulbanoo Lakhani		220
Sultan Ali Lakhani		1,281
Shaista Sultan Ali Lakhani		220
Babar Ali Lakhani		4,036
Bilal Ali Lakhani		110
Misha Lakhani		110
Danish Ali Lakhani		1,030
Natasha Lakhani		110
Anushka Zulfiqar Lakhani		1,010
Sanam Iqbal Lakhani		926
Anika Amin Lakhani		900
NIT AND ICP		
National Bank of Pakistan, Trustee Department		5,552,833
National Investment Trust Limited		142,989
Investment Corporation of Pakistan		700
DIRECTORS, CEO AND THEIR SPOUSES AND MINOR CHILDREN		
Iqbal Ali Lakhani	Chairman	1,081
Zulfiqar Ali Lakhani	Director	550
Amin Mohammed Lakhani	Director	932
Tasleemuddin A. Batlay	Director	1,982
A. Aziz H. Ebrahim	Director	809
Shahid Ahmed Khan	Director	1,000
Kemal Shoaib	Nominee Director (NIT)	NIL
Aftab Ahmad	Chief Executive Officer	2,736
Ronak Iqbal Lakhani W/o Iqbal Ali Lakhani		110
Fatima Lakhani W/o Zulifqar Ali Lakhani		110
Saira Amin Lakhani W/o Amin Mohammed Lakhani		110
Roohi Aftab W/o Aftab Ahmad		27,062
EXECUTIVES		NIL
PUBLIC SECTOR COMPANIES AND CORPORATIONS		2,357,736
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABA AND MUTUAL FUNDS		4,463,103
OTHERS		5,020,079
SHAREHOLDERS HOLDING 10% OR MORE VOTING INTEREST		
SIZA Services (Private) Limited		15,667,290
SIZA (Private) Limited		14,016,675

FORM OF PROXY

I/We ____

of ____

a member of CENTURY PAPER & BOARD MILLS LIMITED

hereby appoint ____

of ____

or failing him ____

of ____

to act as my/our proxy and to vote for me/us and on my/our behalf at the Annual General Meeting of the Shareholders of the Company to be held on the 17th day of October 2011 and at any adjournment thereof.

Signed this ______________ day of ______________ 2011.

Folio No.	CDC Participant ID No.	CDC Account/ Sub-Account No.	No. of shares held

Signature over Revenue Stamp

Witness 1

Signature ______________________

Name ______________________

CNIC No. ______________________

Address ______________________

Witness 2

Signature ______________________

Name ______________________

CNIC No. ______________________

Address ______________________

Notes:

1. The Proxy must be a member of the Company.

2. The signature must tally with the specimen signature/s registered with the Company.

3. If a proxy is granted by a member who has deposited his/her shares into 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 Computerized National Identity Card (CNIC) or the Passport of the beneficial owner. Representatives of corporate members should bring the usual documents required for such purpose.

4. The instrument of Proxy properly completed should be deposited at the Registered Office of the Company situated at Lakson Square, Building No. 2, Sarwar Shaheed Road, Karachi not less than 48 hours before the time of the meeting.

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AFFIX
CORRECT
POSTAGE

TO,
THE COMPANY SECRETARY
CENTURY PAPER & BOARD MILLS LIMITED
LAKSON SQUARE, BUILDING NO. 2,
SARWAR SHAHEED ROAD, KARACHI-74200.
PHONE: 021-35698000

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Century Paper & Board Mills Limited

Head Office,
Registered Office,
Corporate Office & Regional Sales Office (South)
Lakson Square Building No. 2, Sarwar Shaheed Road,
Karachi - 74200, Pakistan.
Phone : (021) 35698000 Fax : (021) 35681163, 35683410

Regional Sales Office (North)
14-Ali Block, New Garden Town,
Lahore – 54600, Pakistan.
Phone : (042) 35886801-4 Fax : (042) 35830338

Mills
67 KM, Lahore-Multan Highway-N5, District Kasur, Pakistan.
Phone : (049) 4511464-5, (049) 4510061-2 Fax : (049) 4510063

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