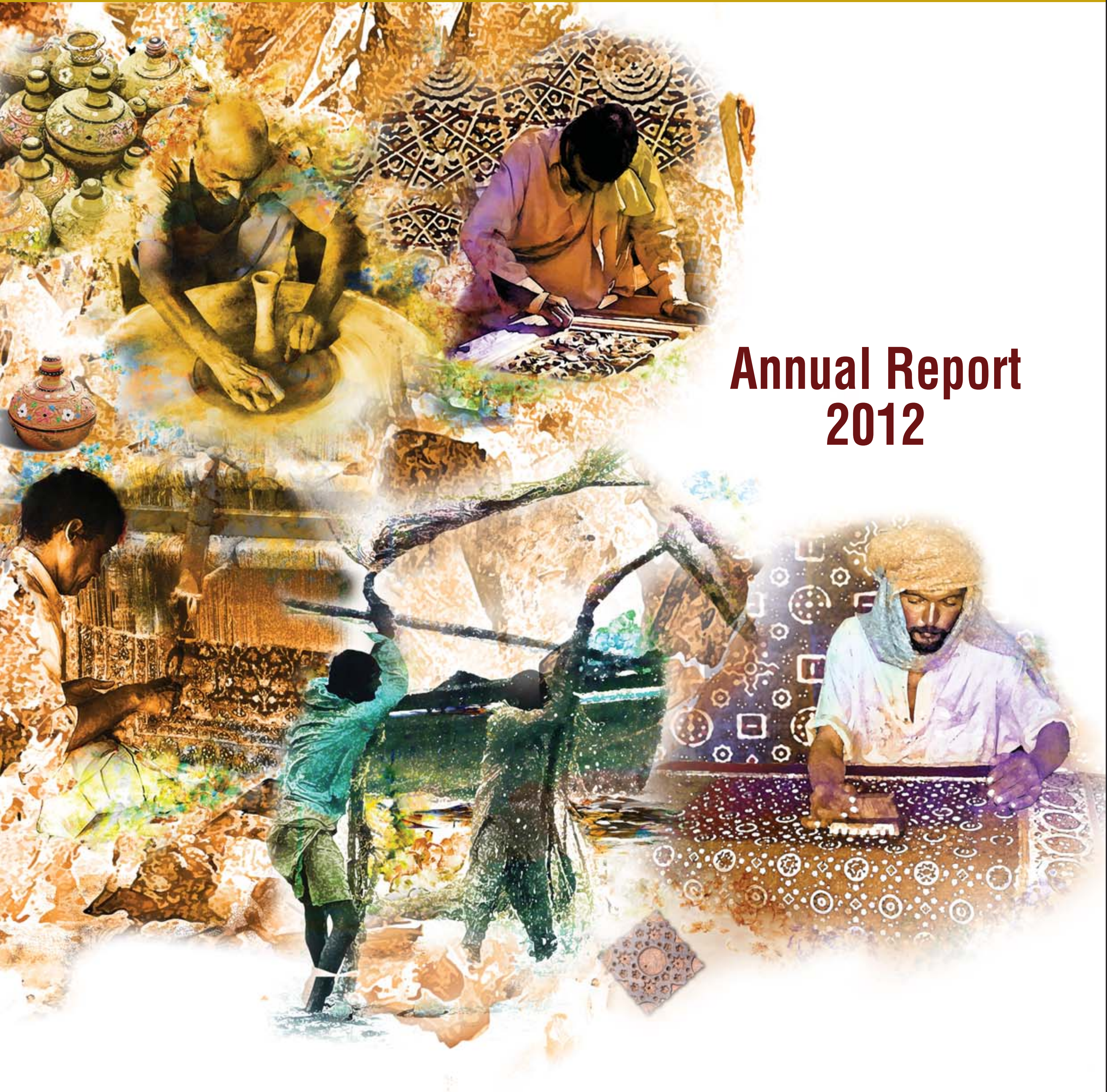
Century Paper & Board Mills Limited



Annual Report 2012

Clean - Green - Sustainable

THEME - Working Hands

Our Country is still a country where majority of people earn their living by their working hands. These are the people, who are our inspiration. They have withstood the test of history and teach us the value of life. These working hands are the true pictures on the canvas of Pakistan.

Contents

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 focussed strategy.

Core Values


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

Highlights of 2012

Net sales	Gross profit	EBITDA
Up by **10%**	Up by **5%**	Up by **1%**

Profit after tax	Earnings per share	Equity
Up by **27%**	Up by Rs. **1.55**	Up by **10%**

Finance cost	Long-term debts
Down by **6%**	Down by Rs. **530** Million

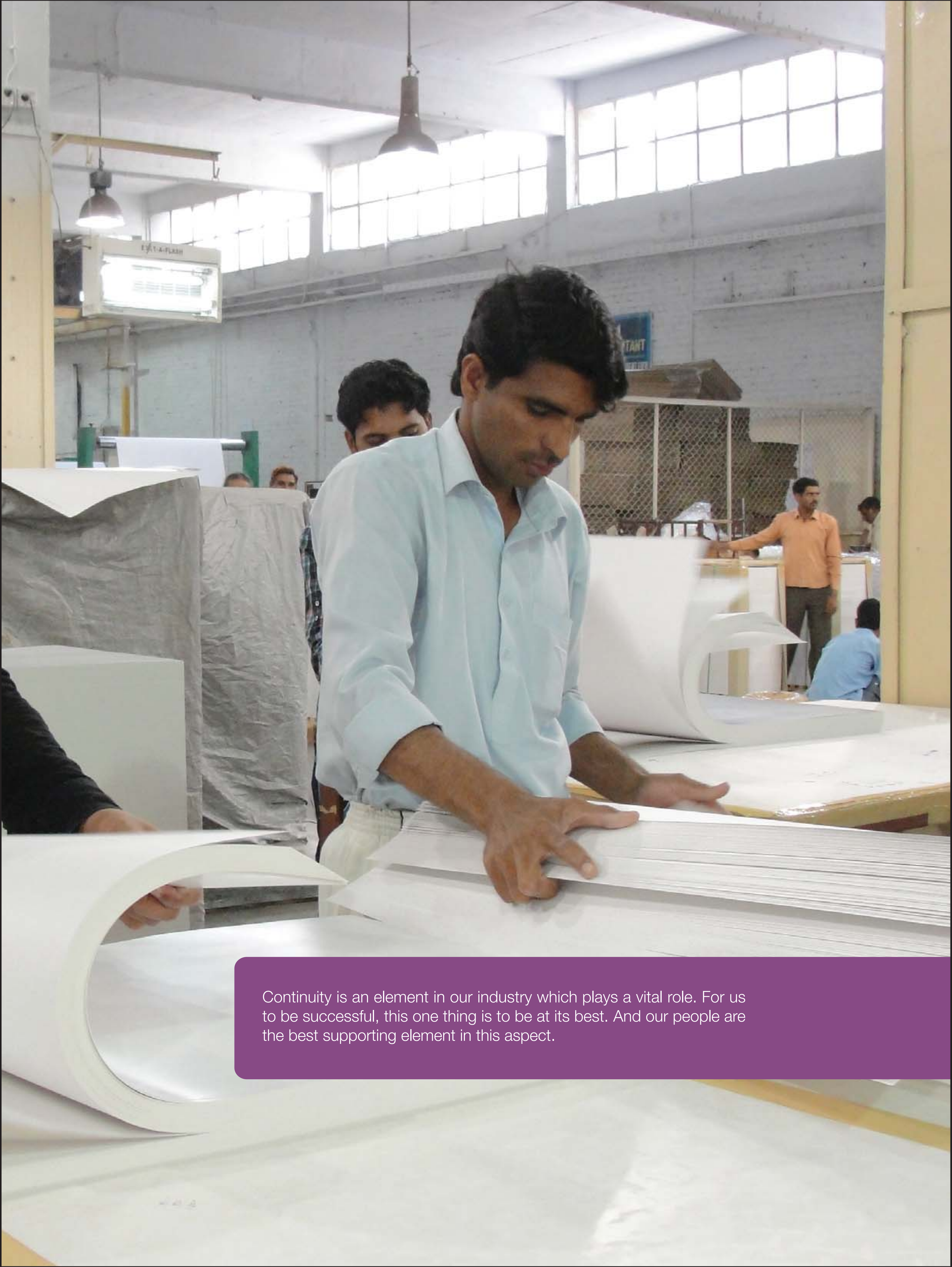
Year at a Glance

Key Figures

	2012	2011
	(Rupees in Million)	
Gross sales	14,980	13,959
Net sales	12,923	11,779
EBITDA	2,479	2,458
Profit pre tax	790	735
Profit post tax	515	405
Share capital		
Ordinary shares	707	707
Preference shares	3,004	3,004
Shareholders' equity	5,814	5,300
Long-term financing	3,845	4,375
Capital employed	10,769	10,524
Total assets	13,462	14,069
Capital expenditure	803	238

Key Ratios

	2012	2011
Earnings per share - Rupees	1.76	0.21
Breakup value per share - Rupees	39.76	32.48
Price earning ratio	10.56 : 1	73.33 : 1
Debt equity ratio	36 : 64	40 : 60
Leverage ratio	0.98 : 1	1.23 : 1
Current ratio	1.09 : 1	1.06 : 1
Quick ratio	0.34 : 1	0.20 : 1
Asset coverage ratio	2.80 : 1	2.69 : 1
Interest coverage ratio	1.87 : 1	1.76 : 1
Debt servicing coverage ratio	1.41 : 1	1.35 : 1
Debtors days	22	20
Inventory days	73	85



Continuity is an element in our industry which plays a vital role. For us to be successful, this one thing is to be at its best. And our people are the best supporting element in this aspect.

Continuity

Corporate Information

Board of Directors

Iqbal Ali Lakhani (Chairman)
Zulfiqar Ali Lakhani
Amin Mohammed Lakhani
Tasleemuddin Ahmed Batlay
Shahid Ahmed Khan
Kemal Shoaib
Aftab Ahmad (Chief Executive Officer)

Advisor

Sultan Ali Lakhani

Audit Committee

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

Human Resource & Remuneration Committee

Zulfiqar Ali Lakhani (Chairman)
Aftab Ahmad (Member)
Tasleemuddin Ahmed Batlay (Member)

Chief Financial Officer

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

Company Secretary

Mansoor Ahmed
Email: mansoor-ahmed@centurypaper.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.
Phone: (042) 35886801-4
Fax: (042) 35830338

Mills

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

External Auditors

BDO Ebrahim & Co.
Chartered Accountants
Email: info@bdoebrahim.com.pk

Shares Registrar

FAMCO Associates (Private) Limited
State Life Building No. 1-A,
Ground Floor, I.I. Chundrigar Road, Karachi.
Email: pervez.usman@famco.com.pk
Phone: 021-32420755, 32427012
Website: www.famco.com.pk

Bankers

Allied Bank Limited
Bank Al-Flalah Limited
Barclays Bank PLC
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
HSBC Bank Middle East Limited
JS Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited

Century's Management Team

From Left to Right

Shiekh Nadeemullah
General Manager Engineering

Sabir Imtiaz
General Manager Supply Chain

Jahanzeb Ali Akhtar
General Manager Production

M. Kashif Chaudhry
General Manager Human Resource

Aftab Ahmad
Chief Executive Officer

Karamatullah Khan Niazi
General Manager Power Plant
& Utilities

Syed Ahmad Ashraf
Chief Financial Officer

M. Jameel Khalid
Head Administration & IR

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

Khalid Hayat
General Manager Marketing
Business Unit - Box

Corporate Calendar

Meetings	Date
Audit Committee meeting to consider accounts of the Company for the year ended June 30, 2011	July 27, 2011
Board of Directors' meeting to consider accounts of the Company for the year ended June 30, 2011	July 29, 2011
Annual General meeting of Shareholders to consider accounts of the Company for the year ended June 30, 2011	October 17, 2011
Audit Committee meeting to consider accounts of the Company for the quarter ended September 30, 2011	October 26, 2011
Board of Directors' meeting to consider accounts of the Company for the quarter ended September 30, 2011	October 28 , 2011
Audit Committee meeting to consider accounts of the Company for the half year ended December 31, 2011	February 01, 2012
Board of Directors' meeting to consider accounts of the Company for the half year ended December 31, 2011	February 03 , 2012
Audit Committee meeting to consider accounts of the Company for the quarter ended March 31, 2012	April 13, 2012
Board of Directors' meeting to consider accounts of the Company for the quarter ended March 31, 2012	April 16, 2012
Election of Directors of the Company in Extraordinary General Meeting	June 29, 2012

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 29th Annual General Meeting of CENTURY PAPER & BOARD MILLS LIMITED will be held on Thursday, October 04, 2012 at 10:30 AM at the Auditorium of the Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi to transact the following business:

1. To receive, consider and adopt the audited financial statements for the year ended June 30, 2012 with the Directors' and Auditors' reports thereon.

2. To appoint Auditors and fix their remuneration.

By Order of the Board of Directors

(MANSOOR AHMED)
Company Secretary

Dated : August 30, 2012

Notes

1. The share transfer books of the Company will remain closed from September 28, 2012 to October 04, 2012 (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 September 27, 2012 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.

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 Company).

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 Company) 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).

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

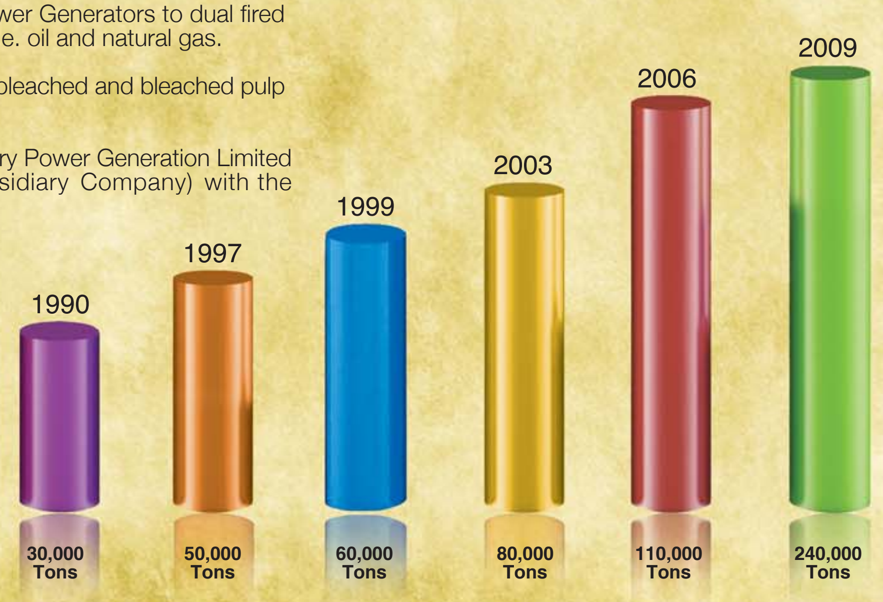
2009 Enhanced production capacity to 240,000 Metric Tons per annum as Coated Board Duplex Plant (PM-7) started its commercial operations.

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.

2012 Installed new Coal/Biomass Fired Boiler with capacity of 30 ton per hour of steam.

Production Capacity



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.

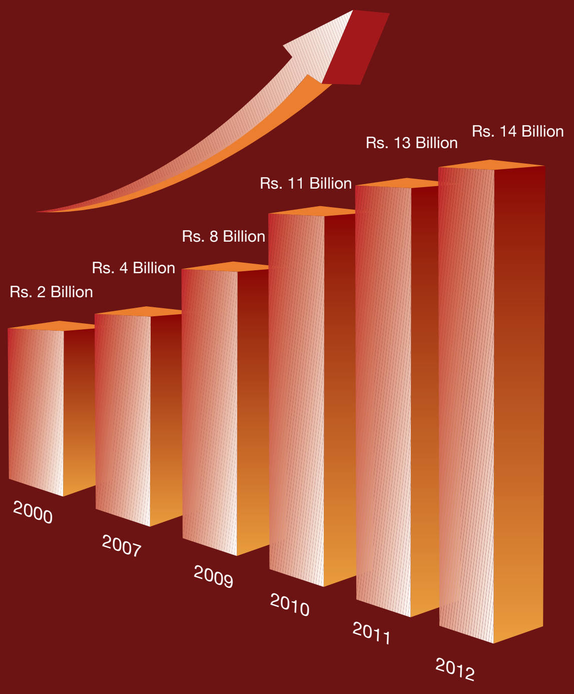
2008
Achieved
Rupees Five Billion Revenue mark.

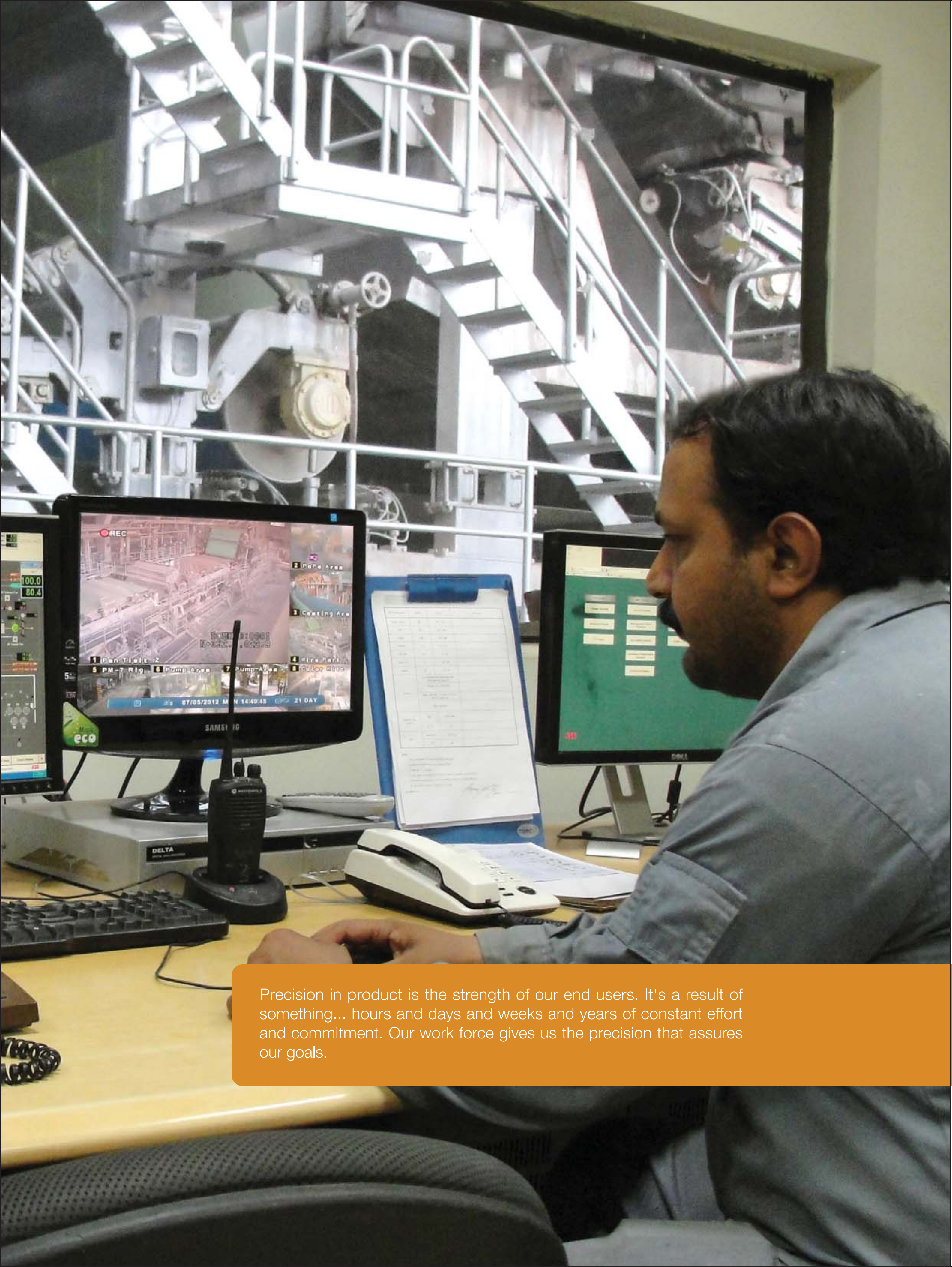
2009
Achieved
Rupees Eight Billion Revenue mark.

2010
Achieved
Rupees Eleven Billion Revenue mark.

2011
Achieved
Rupees Thirteen Billion Revenue mark.

2012
Achieved
Rupees Fourteen Billion Revenue mark.





Precision in product is the strength of our end users. It's a result of something... hours and days and weeks and years of constant effort and commitment. Our work force gives us the precision that assures our goals.

Precision

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 jointly organized 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 years 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.

2012 Awarded “Best Corporate Award” on Annual Report for the year 2010.

Code of Ethics

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 endeavour 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 focussed, 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 and 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 (OHS) 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 OHS 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 focussed Company, is always ready to accept challenges for achieving its mission.

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

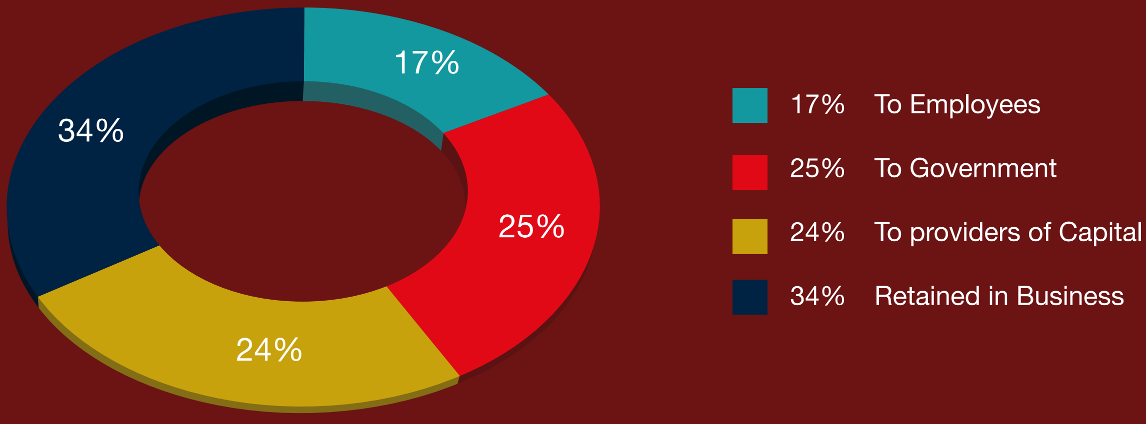
Century is committed to building Safe, Healthy and Environment friendly atmosphere.

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, 2012

	2012	%age	2011	%age
	(Rupees in thousands)			
Wealth Generated				
Turnover (including sales tax and SED)	14,980,408		13,948,503	
Less: Purchased material and services (including sales tax and SED)	11,292,601		10,314,230	
Value Added	3,687,807		3,634,273	
Other Income	89,931		88,398	
Total	3,777,738	100	3,722,671	100
Wealth Distributed				
To Employees Salaries, benefits and related costs	629,734	17	566,158	15
To Government Income Tax, Sales Tax, Import Duty and Workers' Welfare Fund	943,756	25	1,028,101	28
To providers of Capital Finance cost on borrowed funds	910,967	24	968,727	26
Retained in Business Depreciation, amortisation and retained profit	1,293,281	34	1,159,685	31
Total	3,777,738	100	3,722,671	100



"Success requires single-minded attention to detail with total concentration." Our work force is devoted and focussed which is the nature and demand of our trade.

Concentration

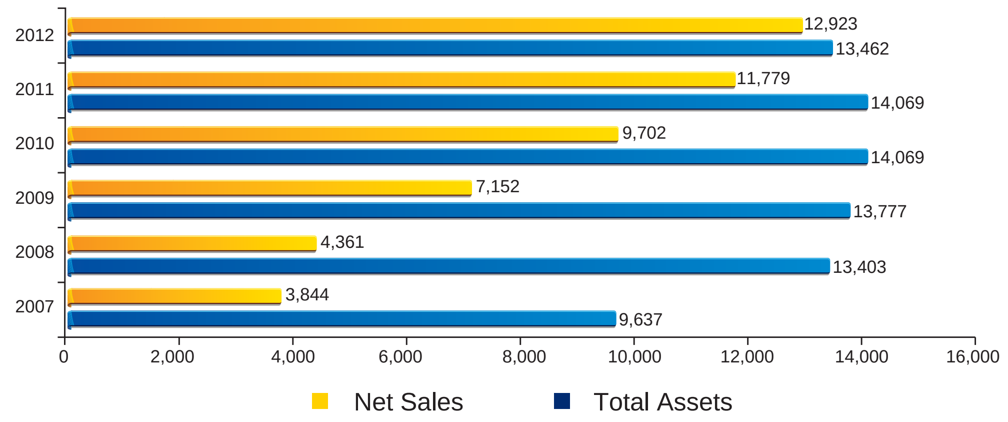
Summarized Six Year Data

Rupees in Million

	2012	2011	2010	2009	2008	2007
Balance Sheet						
Share Capital						
Ordinary shares	707	707	707	707	707	643
Preference shares	3,004	3,004	3,004	-	-	-
Reserves	2,103	1,589	1,184	1,172	2,226	2,262
Shareholders' equity	5,814	5,300	4,895	1,878	2,933	2,904
Subordinated loan	1,000	1,000	1,000	1,650	1,650	1,575
Long-term financing	3,810	4,225	5,075	7,691	6,181	3,940
Deferred taxation – Liability / (Asset)	144	-	(212)	(190)	352	365
Capital employed	10,769	10,525	10,970	11,219	11,135	8,811
Property, plant and equipment	9,439	9,384	9,879	10,454	10,855	8,590
Other non-current assets	29	38	49	57	34	11
Net current assets / Working capital	337	252	(21)	72	36	1
Profit & Loss						
Sales – gross	14,980	13,959	11,323	8,332	5,036	4,415
Sales – net	12,923	11,779	9,702	7,152	4,361	3,844
Gross profit / (loss)	2,100	2,010	1,447	(74)	318	306
Operating profit / (loss)	1,701	1,703	1,212	(294)	137	214
Profit / (loss) before tax	790	735	71	(1,595)	37	124
Profit / (loss) after tax	515	405	42	(1,054)	28	83
EBITDA	2,479	2,452	1,966	400	415	480
Cash Flows						
Net cash flow from operating activities	1,755	735	(473)	(211)	(865)	243
Net cash flow from investing activities	(798)	(234)	(163)	(567)	(2,591)	(5,210)
Net cash flow from financing activities	(415)	(850)	(292)	1,511	2,315	4,742
Changes in cash and cash equivalents	542	(350)	(928)	733	(1,141)	(225)
Cash and cash equivalents – Year end	(1,421)	(1,963)	(1,613)	(685)	(1,418)	(277)
Others						
Number of Employees (at year end)	1,638	1,710	1,631	1,520	1,609	1,239
Number of shares (million)						
Ordinary shares	71	71	71	71	71	64
Preference shares	300	300	300	-	-	-

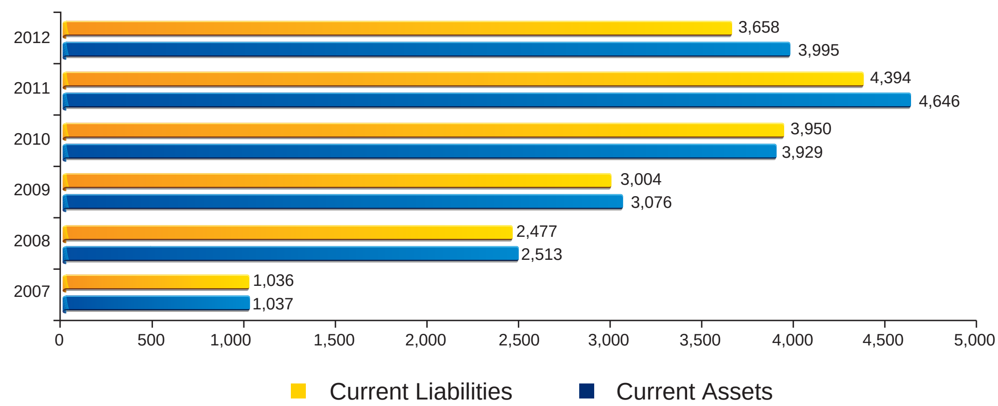
Total Assets and Net Sales

(Rupees in Million)



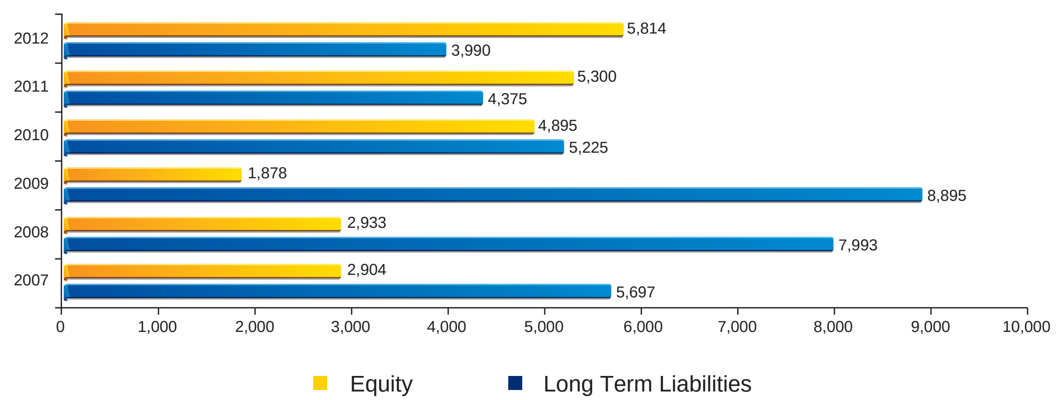
Current Assets and Current Liabilities

(Rupees in Million)



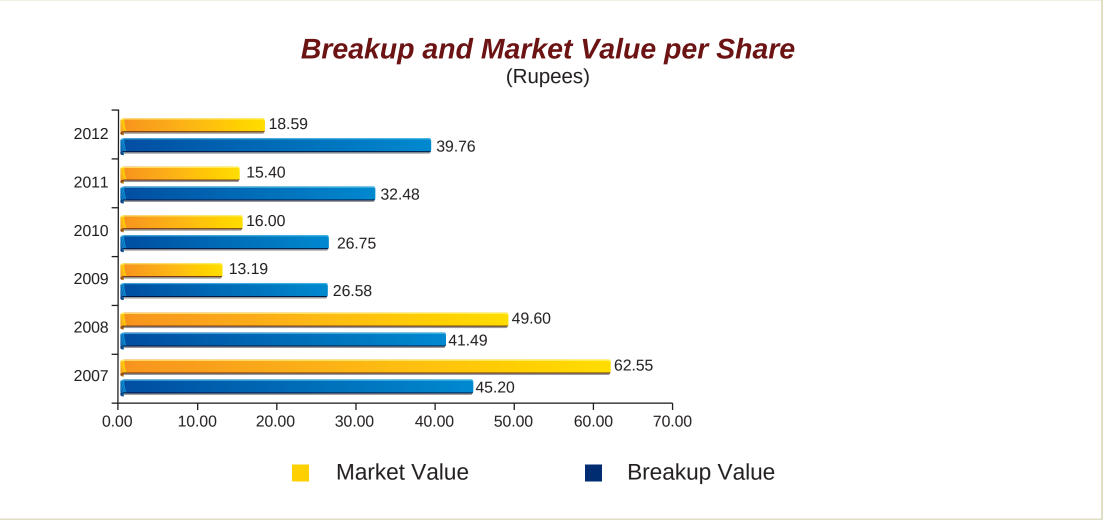
Long Term Liabilities and Equity

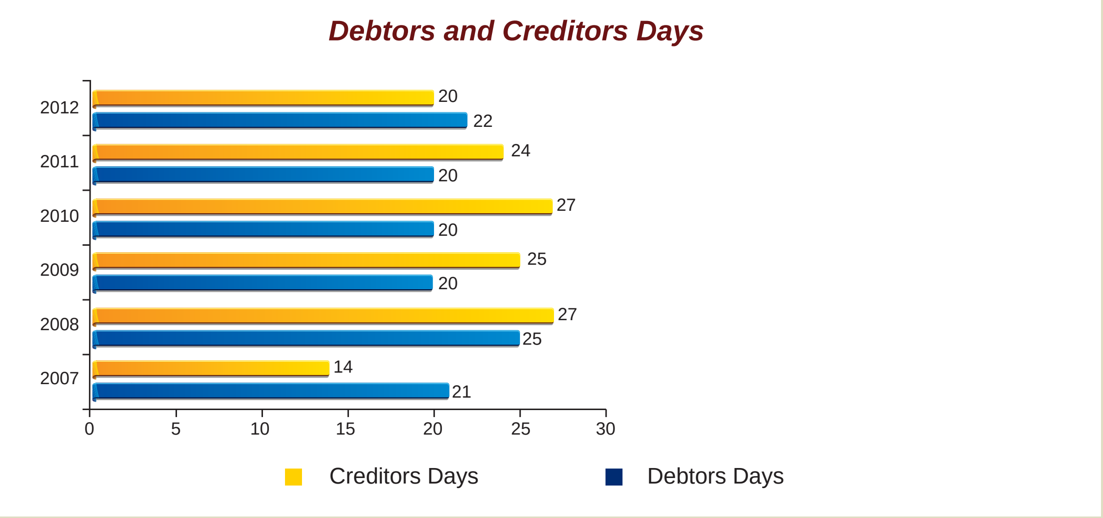
(Rupees in Million)

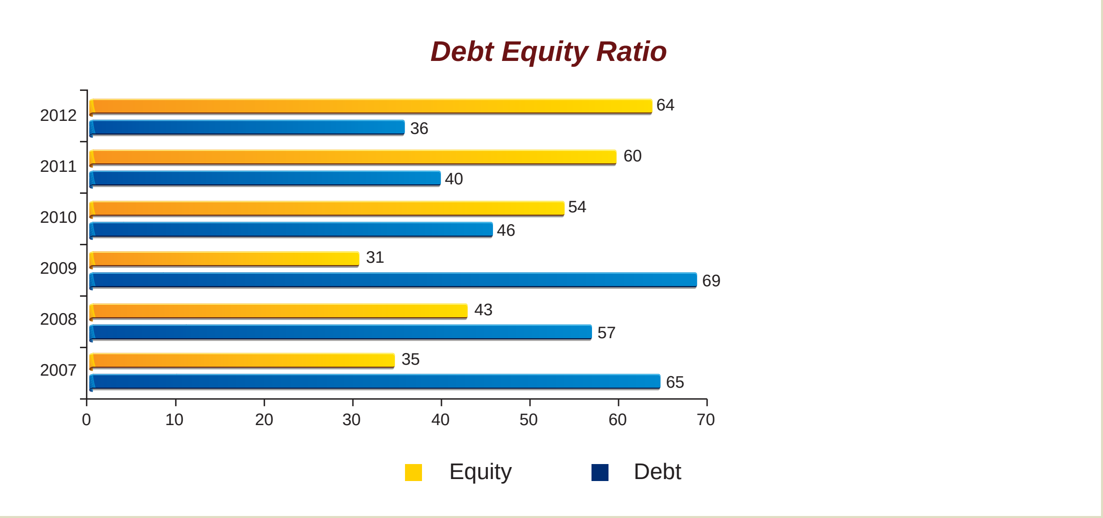


Financial Performance

		2012	2011	2010	2009	2008	2007
Profitability							
Gross profit / (loss) margin	%	16	17	15	(1)	7	8
EBITDA margin to sales	%	19	21	20	6	10	12
Profit / (loss) before tax margin	%	6	6	1	(22)	1	3
Net profit / (loss) margin	%	4	3	0.43	(15)	1	2
Return on equity	%	9	8	1	(56)	1	3
Return on capital employed	%	14	14	10	(3)	1	2
Operating Performance / Liquidity							
Total assets turnover (excl. CWIP)		0.97 : 1	0.84 : 1	0.69 : 1	0.53 : 1	0.68 : 1	1.15 : 1
Fixed assets turnover		1.39 : 1	1.23 : 1	0.97 : 1	1.02 : 1	1.42 : 1	1.63 : 1
Debtors turnover		16.81 : 1	18.67 : 1	17.92 : 1	18.17 : 1	14.51 : 1	17.77 : 1
Debtors days		22	20	20	20	25	21
Inventory turnover		4.99 : 1	4.31 : 1	5.13 : 1	5.06 : 1	4.14 : 1	8.03 : 1
Inventory days		73	85	71	72	88	45
Creditors turnover		18.54 : 1	15.24 : 1	13.77 : 1	14.36 : 1	13.52 :1	25.73 : 1
Creditors days		20	24	27	25	27	14
Operating cycle days		75	81	64	67	86	52
Return on assets (excl. CWIP)	%	3.88	2.88	0.30	(8)	1	2
Current ratio		1.09 : 1	1.06 : 1	0.99 : 1	1.02 : 1	1.01 : 1	1.00 : 1
Quick / Acid test ratio		0.34 : 1	0.20 : 1	0.26 : 1	0.30 : 1	0.17 : 1	0.29 : 1
Capital Market / Capital Structure Analysis							
Market value per share	Rs.	18.95	15.40	16.00	13.19	49.60	62.55
Breakup value / (Net assets/share)	Rs.	39.76	32.48	26.75	26.58	41.49	45.20
Earnings / (loss) per share (pre tax)	Rs.	5.65	4.87	(2.59)	(22.56)	0.51	1.93
Earnings / (loss) per share (after tax)	Rs.	1.76	0.21	(2.99)	(14.91)	0.40	1.18
Price earning ratio		10.77 : 1	73.33 : 1	(5.35) : 1	(0.88) : 1	124 : 1	53.01 : 1
Market price to breakup value		0.48 : 1	0.47 : 1	0.60 : 1	0.49 : 1	1.19 : 1	1.38 : 1
Debt equity ratio		36 : 64	40 : 60	46 : 54	69 : 31	57 : 43	65 : 35
Weighted average cost of debt	%	13.50	12.76	13.07	13.83	8.51	8.84
Interest coverage ratio		1.87 : 1	1.76 : 1	1.06 : 1	(0.23) : 1	1.37 : 1	2.38 : 1


Breakup and Market Value per Share
(Rupees)
2012
18.59
39.76
2011
15.40
32.48
2010
16.00
26.75
2009
13.19
26.58
2008
49.60
41.49
2007
62.55
45.20
0.00
10.00
20.00
30.00
40.00
50.00
60.00
70.00
Market Value
Breakup Value


Debtors and Creditors Days
2012
20
22
2011
24
20
2010
27
20
2009
25
20
2008
27
25
2007
14
21
0
5
10
15
20
25
30
Creditors Days
Debtors Days


Debt Equity Ratio
2012
64
36
2011
60
40
2010
54
46
2009
31
69
2008
43
57
2007
35
65
0
10
20
30
40
50
60
70
Equity
Debt

Horizontal Analysis

	2012		2011		2010	
	Amount	%	Amount	%	Amount	%
PROFIT AND LOSS ACCOUNT						
Sales – net	12,923	110	11,779	121	9,702	136
Cost of sales	(10,823)	111	(9,769)	118	(8,255)	114
Gross profit / (loss)	2,100	104	2,010	139	1,447	1,955
General and administrative expenses	(262)	115	(227)	110	(207)	140
Selling and distribution expenses	(108)	103	(105)	134	(79)	136
Other operating income	90	102	88	119	74	123
Other operating charges	(119)	192	(62)	269	(23)	31
Operating profit / (loss)	1,701	100	1,704	141	1,212	413
Finance cost	(911)	94	(969)	84	(1,141)	88
Profit / (loss) before taxation	790	107	735	1,050	70	(4)
Taxation	(275)	83	(330)	1,179	(28)	5
Profit / (loss) after taxation	515	127	405	964	42	(4)
BALANCE SHEET						
NON-CURRENT ASSETS						
Property, plant and equipment						
Operating fixed assets	9,239	99	9,365	95	9,851	97
Capital work in progress	200	1,051	19	68	28	9
Intangible assets	23	74	31	76	41	82
Long-term loans and advances	3	69	4	80	5	125
Long-term deposits	3	100	3	100	3	100
Deferred taxation	-	-	-	-	213	112
CURRENT ASSETS						
Stores and spares	854	97	877	119	739	121
Stock-in-trade	1,672	63	2,670	143	1,869	138
Trade debts	1,046	142	736	97	760	151
Loans and advances	15	28	56	64	88	140
Trade deposits and short-term prepayments	3	33	9	129	7	33
Other receivables	144	600	24	240	10	250
Tax refunds due from Government	20	29	69	128	54	174
Taxation-net	36	48	75	55	137	173
Cash and bank balances	204	157	130	49	265	65
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	3,004	100
Reserves	2,103	132	1,589	134	1,184	101
NON-CURRENT LIABILITIES						
Subordinated loan	1,000	100	1,000	100	1,000	61
Long-term financing	2,845	84	3,375	80	4,225	58
Deferred taxation	144	100	-	-	-	-
Retention money payable	-	-	-	-	-	-
CURRENT LIABILITIES						
Trade and other payables	928	92	1,005	110	916	105
Interest and mark-up accrued	140	31	446	146	305	51
Short-term borrowings	1,625	78	2,093	111	1,878	172
Retention money payable	-	-	-	-	-	-
Current portion of long-term financing	965	113	850	100	850	191

Rupees in Million

2009		2008		2007		BASE YEAR 2006
Amount	%	Amount	%	Amount	%	Amount
7,152	164	4,361	113	3,844	115	3,353
(7,226)	179	(4,042)	114	(3,538)	122	(2,894)
(74)	(23)	319	104	306	67	459
(148)	122	(121)	139	(87)	109	(80)
(58)	141	(41)	146	(28)	140	(20)
60	150	40	108	37	76	49
(74)	123	(60)	429	(14)	64	(22)
(294)	(214)	137	64	214	55	386
(1,300)	1300	(100)	111	(90)	115	(78)
(1,594)	(4,308)	37	30	124	40	308
540	6,000	(9)	22	(41)	39	(104)
(1,054)	(3,764)	28	34	83	41	204
10,158	264	3,849	168	2,293	95	2,409
296	4	7,006	111	6,297	651	968
50	192	26	433	6	100	-
4	67	6	100	-	-	-
3	100	3	75	4	100	4
190	100	-	-	-	-	-
610	169	362	157	231	120	193
1,357	91	1,496	328	456	107	425
504	122	413	147	281	130	216
63	332	19	317	6	60	10
21	111	19	380	5	500	1
4	12	34	1,700	2	40	5
31	21	150	1,667	9	100	-
79	2,633	3	11	27	135	20
407	2,544	16	73	22	100	22
707	100	707	110	643	100	643
-	-	-	-	-	-	-
1,172	53	2,226	98	2,262	104	2,178
1,650	100	1,650	105	1,575	100	-
7,245	121	5,971	160	3,731	848	440
-	-	352	96	365	101	362
-	-	19	73	26	1,300	2
871	151	578	215	269	114	235
595	302	197	166	119	3,967	3
1,091	76	1,434	480	299	125	239
-	-	59	42	140	4,667	3
446	212	210	100	210	63	333

Vertical Analysis

	2012		2011		2010	
	Amount	%	Amount	%	Amount	%
PROFIT AND LOSS ACCOUNT						
Sales – net	12,923	100.00	11,779	100.00	9,702	100.00
Cost of sales	(10,823)	83.75	(9,770)	82.94	(8,255)	85.09
Gross profit / (loss)	2,100	16.25	2,010	17.06	1,447	14.91
General and administrative expenses	(262)	2.03	(227)	1.93	(207)	2.13
Selling and distribution expenses	(108)	0.84	(105)	0.89	(80)	0.82
Other operating income	90	0.70	88	0.75	74	0.76
Other operating charges	(119)	0.92	(62)	0.53	(23)	0.24
Operating profit / (loss)	1,701	13.16	1,704	14.46	1,212	12.49
Finance cost	(911)	7.05	(969)	8.22	(1,141)	11.76
Profit / (loss) before taxation	790	6.11	735	6.24	71	0.73
Taxation	(275)	2.13	(330)	2.80	(28)	0.29
Profit / (loss) after taxation	515	3.98	405	3.44	42	0.43
BALANCE SHEET						
NON-CURRENT ASSETS						
Property, plant and equipment						
Operating fixed assets	9,239	68.63	9,365	66.56	9,851	70.02
Capital work in progress	200	1.49	19	0.14	28	0.20
Intangible assets	23	0.17	31	0.22	41	0.29
Long-term loans and advances	3	0.02	4	0.03	5	0.04
Long-term deposits	3	0.02	3	0.02	3	0.02
Deferred taxation	-	-	-	-	213	1.51
CURRENT ASSETS						
Stores and spares	854	6.34	878	6.24	739	5.25
Stock-in-trade	1,672	12.42	2,670	18.98	1,869	13.28
Trade debts	1,046	7.77	736	5.23	759	5.39
Loans and advances	15	0.11	56	0.40	88	0.63
Trade deposits and short-term prepayments	3	0.02	9	0.06	7	0.05
Other receivables	143	1.06	24	0.17	10	0.07
Tax refunds due from Government	20	0.15	69	0.49	54	0.38
Taxation-net	36	0.27	75	0.53	137	0.97
Cash and bank balances	204	1.52	130	0.92	265	1.88
TOTAL ASSETS	13,462	100	14,069	100	14,069	100
EQUITY AND LIABILITIES						
SHARE CAPITAL AND RESERVES						
Issued, subscribed and paid-up capital						
Ordinary shares	707	5.25	707	5.03	707	5.02
Preference shares	3,004	22.32	3,004	21.35	3,004	21.35
Reserves	2,103	15.63	1,589	11.29	1,184	8.41
NON-CURRENT LIABILITIES						
Subordinated loan	1,000	7.43	1,000	7.11	1,000	7.11
Long-term financing	2,845	21.14	3,375	23.99	4,225	30.03
Deferred taxation	144	1.07	-	-	-	-
Retention money payable	-	-	-	-	-	-
CURRENT LIABILITIES						
Trade and other payables	928	6.89	1,005	7.14	916	6.51
Interest and mark-up accrued	140	1.04	446	3.17	305	2.17
Short-term borrowings	1,625	12.07	2,093	14.88	1,878	13.35
Retention money payable	-	-	-	-	-	-
Current portion of long-term financing	965	7.17	850	6.04	850	6.04
TOTAL EQUITY AND LIABILITIES	13,462	100	14,069	100	14,069	100

Rupees in Million

2009		2008		2007	
Amount	%	Amount	%	Amount	%
7,152	100.00	4,361	100.00	3,844	100.00
(7,226)	101.03	(4,043)	92.71	(3,538)	92.04
(74)	1.03	319	7.29	306	7.96
(148)	2.07	(121)	2.77	(87)	2.26
(58)	0.81	(41)	0.94	(28)	0.73
61	0.85	40	0.92	37	0.96
(74)	1.03	(60)	1.38	(14)	0.36
(294)	4.11	137	3.14	214	5.57
(1,300)	18.18	(100)	2.29	(90)	2.34
(1,595)	22.30	37	0.85	124	3.23
540	7.55	(9)	0.21	(41)	1.07
(1,054)	14.74	28	0.64	83	2.16
10,158	73.73	3,849	28.72	2,293	23.78
296	2.15	7,006	52.27	6,297	65.31
50	0.36	26	0.19	6	0.06
4	0.03	6	0.04	-	-
3	0.02	3	0.02	4	0.04
190	1.38	-	-	-	-
610	4.43	362	2.70	231	2.40
1,357	9.85	1,497	11.17	456	4.73
504	3.66	413	3.08	281	2.92
63	0.46	19	0.14	6	0.06
21	0.15	19	0.14	5	0.05
4	0.03	34	0.25	2	0.02
31	0.23	150	1.12	9	0.09
79	0.57	3	0.02	27	0.28
407	2.95	16	0.12	22	0.23
13,777	100	13,403	100	9,639	100
707	5.13	707	5.27	643	6.67
-	-	-	-	-	-
1,172	8.51	2,226	16.61	2,262	23.47
1,650	11.98	1,650	12.31	1,575	16.34
7,245	52.59	5,971	44.55	3,731	38.71
-	-	352	2.63	365	3.79
-	-	19	0.14	26	0.27
871	6.32	578	4.31	269	2.79
595	4.32	197	1.47	119	1.23
1,091	7.92	1,434	10.70	299	3.10
-	-	59	0.44	140	1.45
446	3.24	210	1.57	210	2.17
13,777	100	13,403	100	9,639	100

"Accuracy of observation is the equivalent of accuracy of thinking." Our business has no room for mistakes, and this is where our focus is at the most. We are proud that our people have what it takes to deliver accuracy.

Accuracy

Board of Directors

From left to right

Iqbal Ali Lakhani Chairman	Aftab Ahmad Chief Executive Officer	Shahid Ahmed Khan Director

From right to left

Zulfiqar Ali Lakhani Director	Tasleemuddin Ahmed Batlay Director	Amin Mohammed Lakhani Director	Kemal Shoaib Director

Chairman's Message

The ongoing energy crisis which includes gas and electricity has started taking toll on the economic activity of the country. Your Company and the downstream customers of your Company were evenly hit by the same. High costs of energy and other inputs were putting the pressure on the volumes whereas the pressure on sale prices were pushing the profitability down.

Consequently the management of your Company took a strategic decision to create a balance between the volume and profitability. I am pleased to let you know that they have successfully done it.

The results of your Company are not ideal given the higher sales volume than last year. Nevertheless there is an improvement in the bottom line and the earnings per share. I hope that the confidence and trust of the stakeholders will be further strengthened by the continual improvement of results.

Your Company has taken a first step for solving its energy crisis. A Coal Fired Boiler for production of process steam has been installed. If the experiment with the coal proves successful, than the financial feasibility for a COGEN Plant based on coal will also be taken into consideration.

It should be a great source of satisfaction for the stakeholder that the Company is meeting all its financial commitment and is servicing the debt as per schedule. Moreover; for the improvement of efficiency necessary capital expenditure is also being made continuously.

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 June 30, 2012.

Market Review

For the year under review the market remained stable and receptive for the Company's products in spite of overall slowdown in the economy. In terms of selling price, the energy starved economy and falling international prices, kept the Company's product prices in a tight range.

It is heartening to mention that Company's coated board kept the trend of substituting imported board however its margins remained subdued. Although the local market has accepted the paper & board products of the Company as an import substitute yet its inclination to use the imported products does not go due to opportunity available for the unexpected drop in the international prices. Nevertheless the market has developed a confidence on Company's products because of consistency and quality of products and commitment to customers. Hence the conventional mindset to prefer imports over domestic paper & paperboard products is changing.

Operations

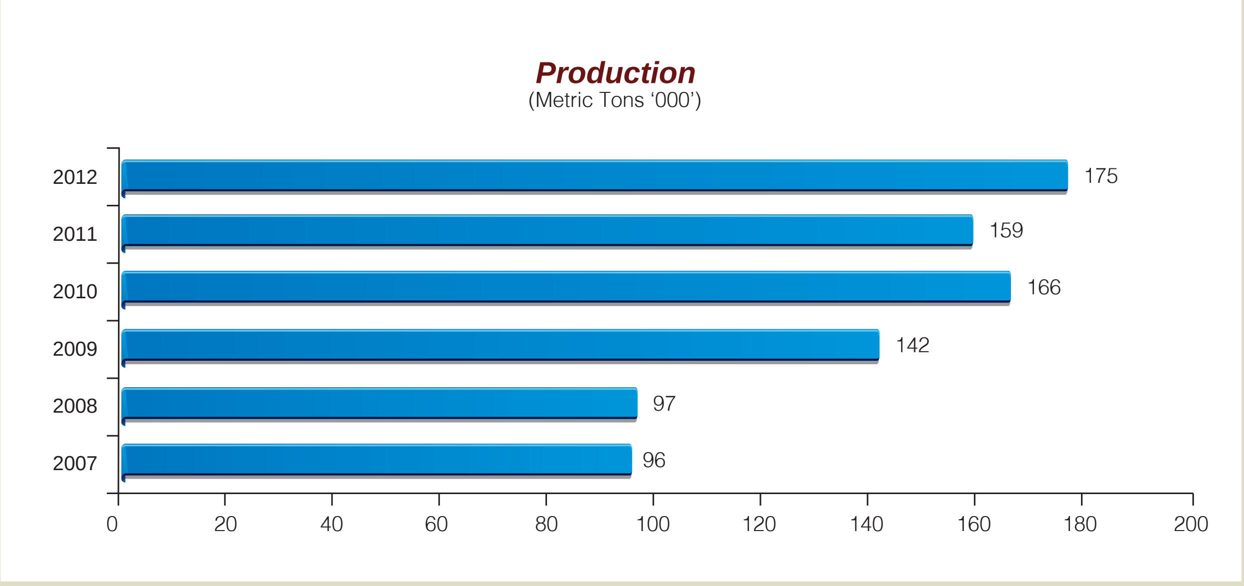
During the year under review full opportunity was availed in the days when gas supply was available and the machines were run to the best of their efficiency. However, full year operations were not possible due to winter months' frequent stoppages in the supply of natural gas, not only for your Company, but that of downstream customers also.

During the year under review a production level of 175 thousand metric tons was achieved as compared to last year's production of 159 thousand metric tons. The capacity utilization for the year stood at 73% of the installed capacity (L.Y. 66%), however it was 96% of the available capacity (L.Y. 90%).

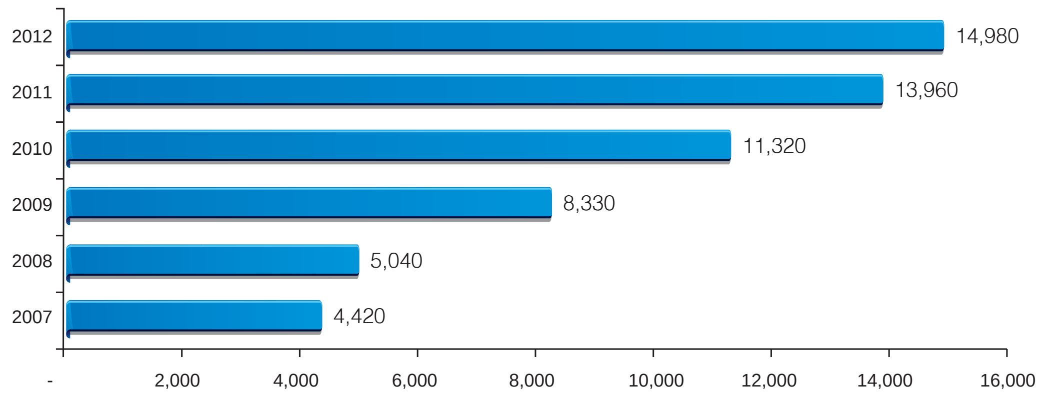
Sales

The minimal growth in the GDP and increase in energy costs made the downstream industry price sensitive. Thus in spite of the increase in sales volume the average selling price per ton of the Company's products was slightly lower as compared to last year.

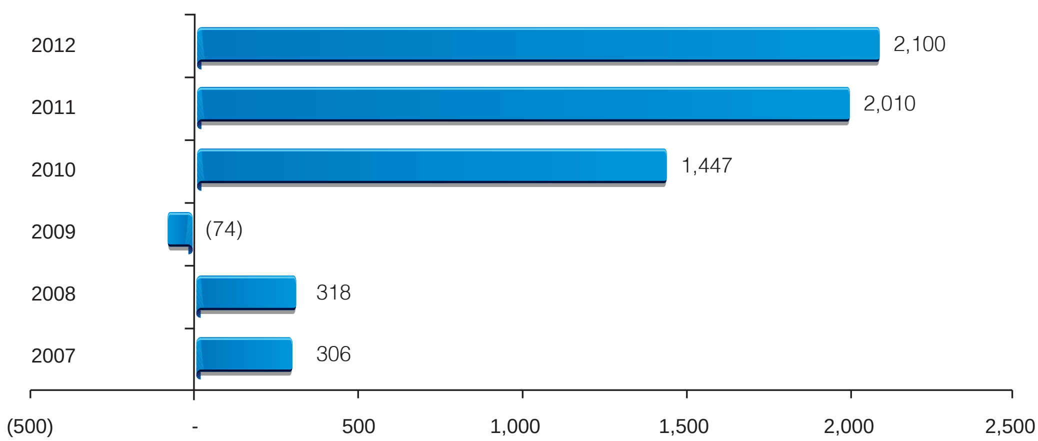
In quantitative terms the sales of the Company for the year under review were 172 thousand metric tons (L.Y. 155 thousand metric tons). The rupee value of the sales for the year under review stood at Rs.14,980 million, (L.Y. Rs. 13,959 million). This depicts an increase of 7.31%.



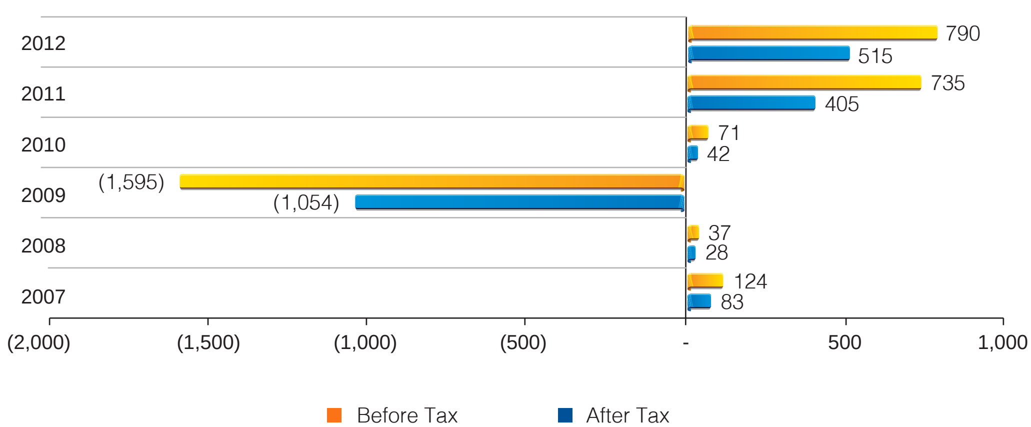
Gross Sales
(Rupees in Million)



Gross Profit
(Rupees in Million)



Net Profit
(Rupees in Million)



Financials

Your Directors report with satisfaction that for the third year in a row the financials of the Company have shown an overall improvement. This has been made possible due to better strategic decisions, more focussed approach and defined objectives of a dedicated and professional team.

The net turnover for the year under review is recorded at Rs. 12,923 million (L.Y. Rs. 11,779 million). Gross profit of the Company for the period under review stood at Rs. 2,100 million as compared to Rs. 2,010 million of the last year.

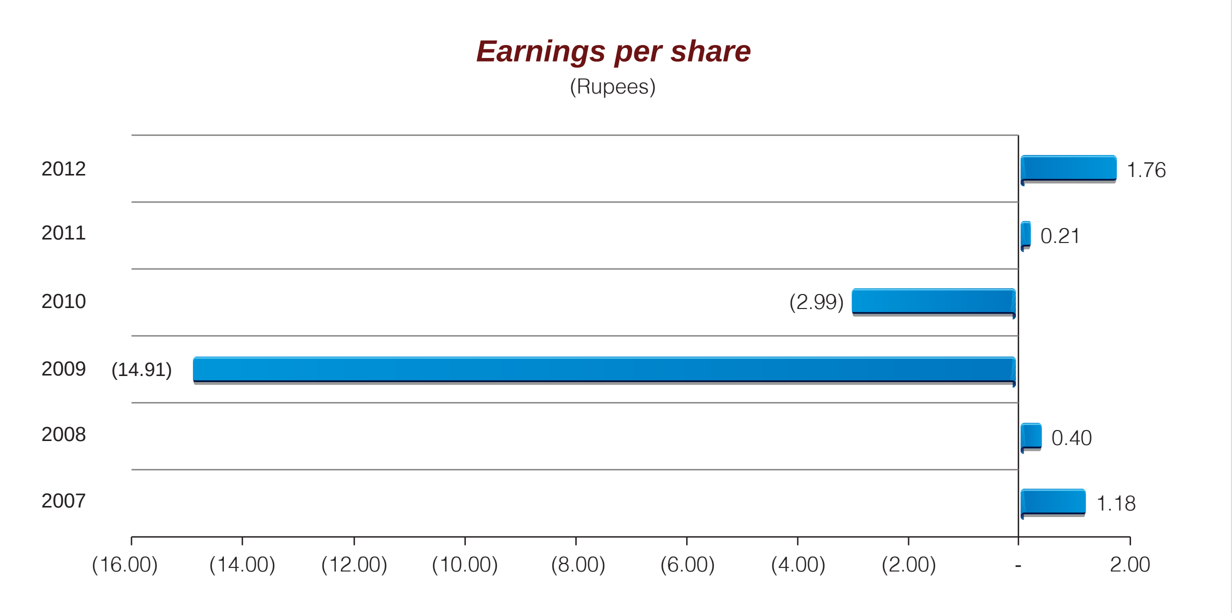
The operating profit for the year under review stood at Rs.1,701 million as compared to operating profit of Rs. 1,704 million of the last year. The decrease in operating profit is mainly attributable to the increase in other operating charges including the loss due to fire in a segment of wastepaper which occurred in May 2012, for which the insurance claim had to be settled at less than the claimed amount, due to extraneous factors.

In spite of the above the net profit of the Company increased to Rs. 515 million for the year under review from last year's net profit of Rs. 405 million. The summary of the operating results of the Company for the year under review alongwith the comparatives for the last year are as under:

(Rupees in Million)

	2012	2011
Sales	12,923	11,779
Cost of Sales	(10,823)	(9,769)
Gross Profit	2,100	2,010
Administrative, Selling and Other Operating Expenses	(489)	(395)
Other Income	90	88
Operating Profit	1,701	1,704
Finance Cost	(911)	(969)
Net Profit before Tax	790	735
Taxation	(275)	(330)
Net Profit after Tax	515	405
Sales Volumes (Metric Tons)	172,241	155,076

Coal / Biomass Fired Boiler



Earnings per Share

Your Company has earned a profit after tax of Rs. 515 million, which without taking the effect of earnings attributable to the outstanding preference dividend, translates into earnings per share of Rs. 7.28 as compared to earnings per share of Rs. 5.73 of the last year.

Due to reporting standards, the Company is required to attribute its earnings to the preference shareholders up to the amount of the dividend in arrears for the year, which for the year 2012 is Rs. 391 million. Thus the earnings attributable to the common shareholders comes to Rs. 124 million and earnings per common share is Rs. 1.76 as compared to last year of Re. 0.21.

Appropriations

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

Market Capitalization

Some improvements in the Capital markets of the country were viewed during the year under review. 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. 20.97 on 12th June 2012 with the market capitalization of Rs. 1,482.23 million on that day. The share touched the low of Rs. 12.01 during the year on 10th February 2012 and the market capitalization was at Rs. 848.91 million on that day. At the close of the year, the market capitalization was Rs. 1,339.45 million, with a market value per share of Rs. 18.95 and breakup value per share of Rs. 32.48.

Capital Investment

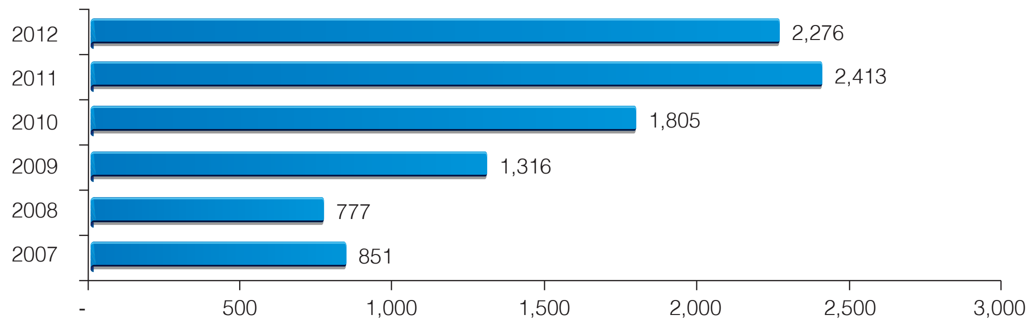
As planned your Company has added a Coal Fired Boiler at a cost of Rs. 200 million, to cater for the partial steam requirements due to gas shutdowns. This boiler will provide process steam to the older section of the plant.

The Company also refurbished its three gas turbines generators at a cost of Rs. 446 million. In addition and as a part of its strategic policy the Company added assets at a cost of Rs. 157 million. Hence the total fixed capital expenditure for the year stood at Rs. 803 million.

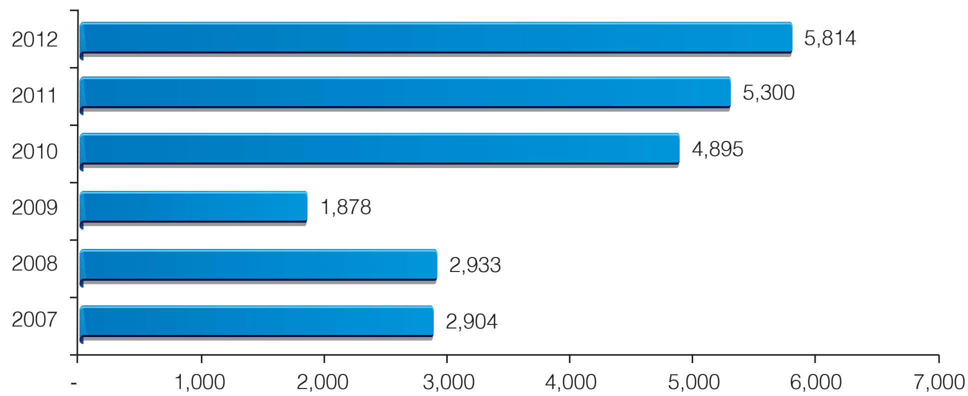
Contribution to the National Exchequer (Gross)

Your Company's contribution to the National Exchequer amounted to Rs. 2,276 million as compared to Rs. 2,413 million of the last year. This includes Rs. 155 million (L.Y. Rs. 180 million) as Income Tax, Rs. 2,057 million (L.Y. Rs. 2,169 million) as Sales Tax & Special Excise Duty and Rs. 64 million (L.Y. Rs. 63 million) as Customs Duty.

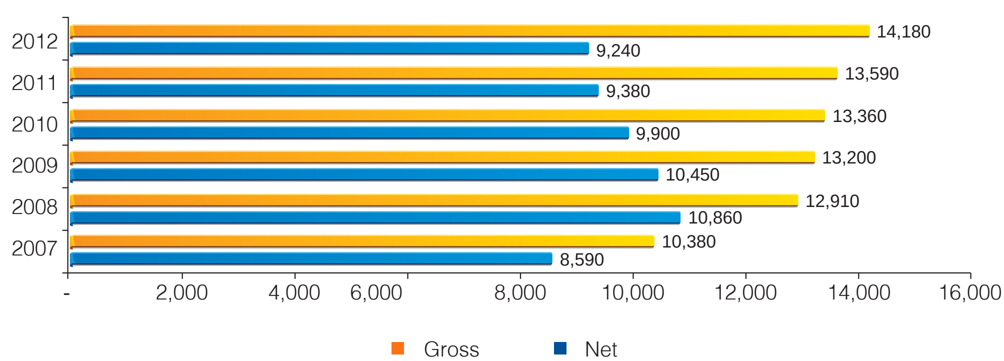
Contribution to National Exchequer
(Rupees in Million)



Shareholders’ Equity
(Rupees in Million)



Property Plant and Equipment
(Rupees in Million)



Corporate Affairs

The shareholders elected seven Directors of the Board for the next three years term in extraordinary general meeting held on 29th of June 2012. The Board now consists of Mr. Iqbal Ali Lakhani (Chairman), Mr. Zulfiqar Ali Lakhani, Mr. Amin Mohammed Lakhani, Mr. Tasleemuddin Ahmed Batlay, Mr. Shahid Ahmed Khan, Mr. Kemal Shoaib, and Mr. Aftab Ahmad.

The Board also re-appointed Mr. Aftab Ahmad as Chief Executive Officer (CEO) of the Company for a term of three years.

Board Meetings

Four meetings of the Board of Directors were held during the year ended 30th June 2012. Attendance by each Director was as under:

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

Audit Committee

The Board in accordance with the Code of Corporate Governance has set up an audit committee comprising of three non-executive Directors. Four meetings of the Committee were held during the year ended 30th June 2012. Attendance by each Director was as under:

Name of Director	Meetings Attended
Mr. Zulfiqar Ali Lakhani (Chairman)	3
Mr. Amin Mohammed Lakhani	2
Mr. Tasleemuddin Ahmed Batlay	4

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 it 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 Company's 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.

Human Resource and Remuneration Committee

The Board in accordance with the Code of Corporate Governance has constituted a Human Resource and Remuneration Committee ,comprising of the following three Directors:

Mr. Zulfiqar Ali Lakhani	Chairman
Mr. Aftab Ahmad	Member
Mr. Tasleemuddin Ahmed Batlay	Member

The terms and reference of the committee include but not limited to those as mentioned in the Code of Corporate Governance.

As the committee was formed after the election of Directors and close to the financial year, it has yet to hold its meeting.

Disclosure to shareholders of Directors' interest, in contract of their appointment under Section 218 of the Companies Ordinance, 1984

The terms and condition of Director Mr. Iqbal Ali Lakhani and Director/ Chief Executive Officer Mr. Aftab Ahmad were revised subsequent to their re-appointment for a three years term after the election of Directors in June 2012. The revised terms and conditions as approved by the Board of Directors for the three years term up to 30th June 2015 is as under:

Mr. Iqbal Ali Lakhani (Director)

Gross aggregate annual remuneration up to Rs. 15.50 million. In addition re-imbursement of residence utilities bills, provision of Company maintained car, and entitlement of perquisites like provident fund, medical, bonus, leave and retirement benefits as per Company policy in vogue from time to time.

Mr. Aftab Ahmad (Director/ Chief Executive Officer)

Gross aggregate annual salary up to Rs. 13.50 million. In addition Company maintained car, provident fund, bonus, medical, leave, utilities at residence, telephone and retirement benefits, as per Company policy, Rules and Regulations in force from time to time.

Mr. Iqbal Ali Lakhani (Director) and Mr. Aftab Ahmad (Director/Chief Executive Officer) of the Company and being shareholders, have interest to the extent of remuneration and available perquisites, benefits and allowances to which they are entitled.

Inhouse Executive's Training

Health Walk at Factory

Family Festival for Workers

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 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 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 2012, along with the necessary information is annexed to this report.

There were 1,528 shareholders on the record of the Company as at 30th June 2012.

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 of these two funds who get them audited at regular intervals. The Trustees have informed the Company that as per the last audited accounts the value of the investments of the two funds were as follows:

Provident Fund	Rs. 282 million
Gratuity Fund	Rs. 169 million

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 Board's 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 2013.

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.

The Company works under the Umbrella of the Lakson Group of Companies. The philanthropic activities on behalf of the Group Companies are done by two of the charitable trust namely Hasanali Karabhai Foundation and Lakson Medical Trust.

Beside; for inculcating the spirit of ethical behaviour, commitment to excellence and customer focussed approach; a value system in the Company is in place. The Directors consider it as a long term investment in the social development of Century's human resource and the society as a whole.

Festivities like employees' family fun fare and inter-departmental sport activities have become a regular feature at the Mills premises.

Dengue Fever epidemic was wide spread during summer in the central Punjab. The Company organized a special Dengue Fever Awareness Camp for its employees which included Medical Check-ups and survival kit distribution, containing useful preventive medicines. This was a well received gesture where the families of the employees also benefited.

In the field of health the Company conducts medical camps for employees on regular basis and the emphasis remains on the diagnostic and preventive care.

In the field of education, summer camps have also become a regular event in the year. The purpose of these summer camps is to impart skills of computers to the rural youth specifically from the family members of our employees.

Safety Health Environment and Quality (SHEQ)

A) Safety, Health and Environment (SHE)

Your Company is continually working to promote a Quality conscious and Environmental friendly culture. Over and above the Safety and Health aspects are also given the core importance. SHE framework is reviewed by the Company at regular intervals, followed by concrete steps for the improvement of environment at Mills which includes the continuous monitoring of energy consumption, gaseous emission from boilers, power plant and waste water disposal.

B) Environmental Management System (EMS)

The Company is certified for ISO 14001:2004 which is system for improving the environment. The recycling of paper & board is an important Environment Friendly Operation. The Company is continually improving EMS through the adoption of advancement in technologies and congenial processes like re-use and recycling. Your Company's management has taken concrete steps and is constantly striving to improve the environmental performance of the Mills and to reduce the depletion of natural resources. In this regard, your Company has adopted energy saving system, and cleaner production technologies thereby reducing the environmental impact.

Intensive tree plantation and development of green areas inside and outside the Mills also shows Company's commitment to the environment.

C) Quality Management System (QMS)

Your Company is certified for ISO 9001:2008. This documented QMS is intended to establish a better understanding of the customers' requirement and effectively satisfying them. The system comprises of written procedures that are supported by records that provide an objective evidence of the existence and implementation of QMS. The processes are planned, executed and monitored as per the requirements. Moreover, objectives and targets are set on the basis of Key Performance Indicators (KPIs).

D) Occupational Health and Safety System (OHSS)

Your Company is committed to safety and health, and it has implemented OHSS 18001:2007 standard in the organization. The workplaces are made safer by proactive approach and use of Work Permit procedure. Accident reporting and analysis mechanism is defined and follow-up for corrective and preventive measures are being taken to avoid recurrence of incidents. Accidents have been significantly reduced over the years. The training sessions on OHS are regularly conducted for employees to enhance the awareness of Safety. CCTV cameras have been installed and are being utilized to improve Safety and Security System in the Mills.

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

Human Resource

Your Company is maintaining a broad and interactive approach towards its employees because they play a vital role for the success of the organization. At the end of the day it's 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.

Appropriate career paths and internal recognition programs 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 programs like service awards, sports achievement awards and recognitions based upon performance and service are also in place.

The journey is still continuing and there is a continual improvement and refinement with a non-stop quest for improvement, aiming towards a world class organization through this most important asset.

Employee Relations

The cordial relationship between the management and the employees which exist for the last many years, also continued during the year.

Outlook for the Year 2013

Company foresees a challenging year ahead of it, because all the indicators suggest that the economy of the country is on a slow path. On the top of this the continuing energy crisis is holding up the growth of all sectors.

Even with the above impediments, it is hoped that optimum level of available capacity will be utilized, with the assumptions that international prices of finished product, raw material, rupee dollar parity and interest rates remain at our benchmark.

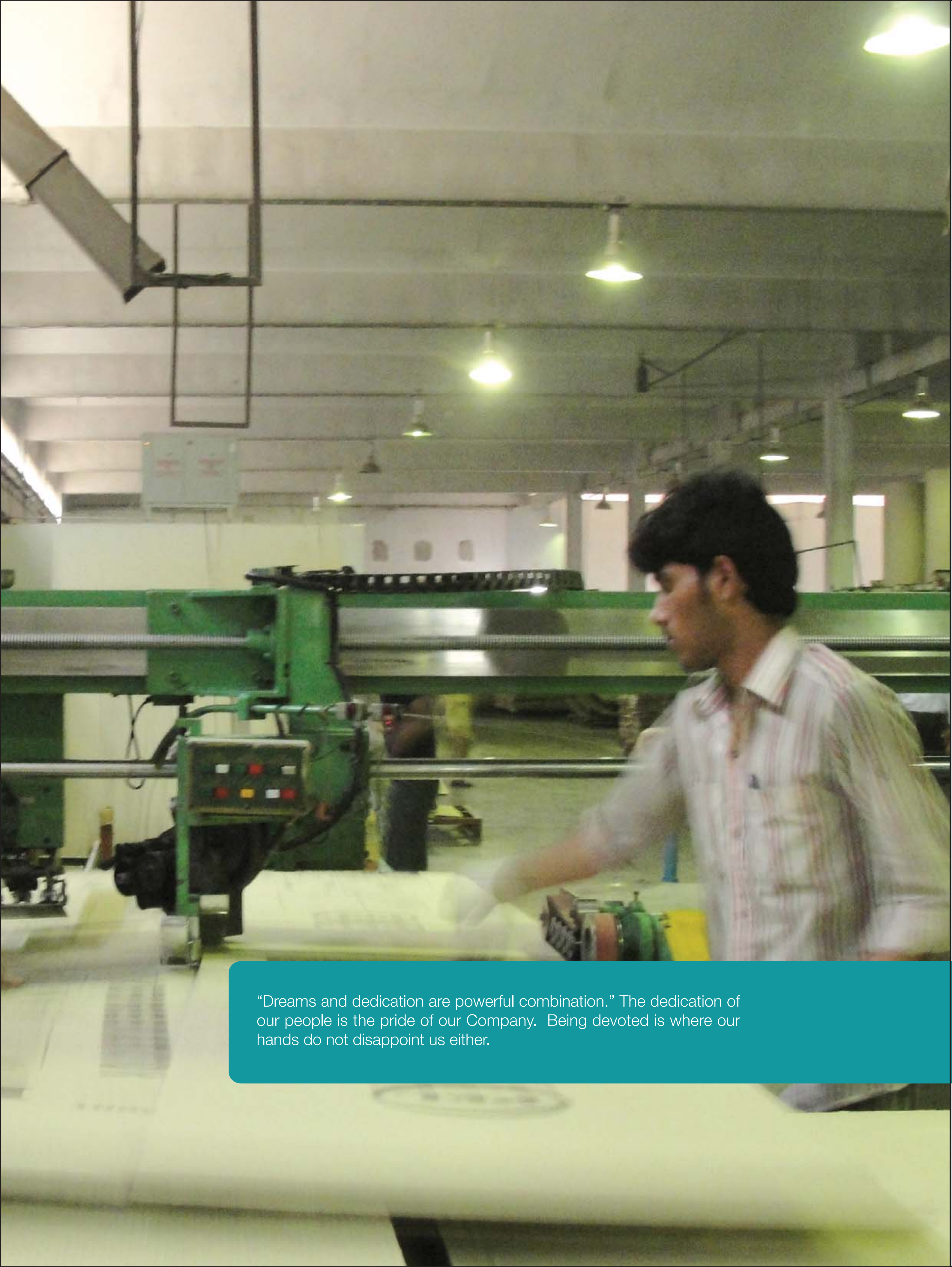
Acknowledgement

The Directors acknowledge the devotion to duty and are appreciative of the support and dedication of the employees of all cadres.

They are thankful to all the stakeholders and fully acknowledge their contribution and commitment.

On Behalf of the
Board of Directors

Aftab Ahmad
Chief Executive Officer



"Dreams and dedication are powerful combination." The dedication of our people is the pride of our Company. Being devoted is where our hands do not disappoint us either.

Dedication

Statement of Compliance With the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of the listing regulations of the Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive Directors and Directors representing minority interest on its Board of Directors. The newly elected Board comprises of the following:

Independent Director	Mr. Kemal Shoaib
Non-Executive Directors	Mr. Iqbal Ali Lakhani Mr. Zulfiqar Ali Lakhani Mr. Amin Mohammed Lakhani Mr. Tasleemuddin Ahmed Batlay Mr. Shahid Ahmed Khan
Executive Director	Mr. Aftab Ahmad

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

3. All the resident 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.

4. The elections of the Directors were held during the year in which seven Directors were elected for a term of three years. No casual vacancy occurred in the Board during the current year.

5. The Company had adopted a Code of Conduct which has been disseminated throughout the Company. It has also been placed on the Website of the Company.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

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 Chief Executive Officer, and other Executive and/or Non-Executive Director/s.

8. The meetings of the Board were presided 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 meeting. The minutes of the meeting were appropriately recorded and circulated in time.

9. Majority of the Directors on the Board are having more than 14 years of education and more than 15 years of experience therefore they are exempted from the Directors' training program as prescribed by the Code of Corporate Governance.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

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

12. The financial statements of the Company were endorsed by the CEO and CFO and duly reviewed by the Audit Committee before approval of the Board.

13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee comprising three non-executive Directors.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has also constituted a Human Resource and Remuneration Committee comprising of two non-executive and one executive Director. The Chaiman of the Commitee is a non-executive Director.

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

19. 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.

20. 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.

21. The Company determined the “closed periods” prior to the announcement of interim/final results and business decisions, which may materially affect the market price of the Company's securities, and were intimated immediately to Directors/employees and stock exchange(s).

22. Material and price sensitive information has been disseminated at once among all market participants through stock exchange(s).

23. We confirm that material principles contained in the Code of Corporate Governance have been complied with, except for the requirement with respect to Chairman of the Audit Committee who is presently not an Independent Director, toward which reasonable progress to comply is being made.

AFTAB AHMAD
Chief Executive Officer

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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 Regulations of Karachi Stock Exchange (Guarantee) Limited and 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, the Listing Regulations of Karachi Stock Exchange (Guarantee) Limited and 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, 2012.

KARACHI

BDO Ebrahim & Co.

CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer

DATED: August 16, 2012

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Sarwar Shaheed Road
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Pakistan

Auditors' Report to the Members

We have audited the annexed balance sheet of CENTURY PAPER & BOARD MILLS LIMITED as at June 30, 2012 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, 2012 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: August 16, 2012

Balance Sheet as at June 30, 2012

	Note	2012	2011
		.........(Rupees in thousands).........	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	5	9,239,066	9,365,235
Capital work in progress	6	199,778	19,198
		9,438,844	9,384,433
Intangible assets	7	23,038	31,286
Long-term loans and advances	8	2,774	4,032
Long-term deposits		2,775	2,825
		9,467,431	9,422,576
CURRENT ASSETS			
Stores and spares	9	853,755	877,475
Stock-in-trade	10	1,672,327	2,669,500
Trade debts	11	1,046,176	735,847
Loans and advances	12	15,412	55,917
Trade deposits and short-term prepayments	13	3,339	9,362
Other receivables	14	143,593	23,891
Tax refunds due from Government	15	19,689	68,571
Taxation - net	16	35,827	75,443
Cash and bank balances	17	204,424	129,919
		3,994,542	4,645,925
TOTAL ASSETS		13,461,973	14,068,501
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
100,000,000 (2011: 100,000,000) ordinary shares of Rs. 10 each		1,000,000	1,000,000
310,000,000 (2011: 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	18	706,834	706,834
Preference shares	19	3,004,046	3,004,046
		3,710,880	3,710,880
Reserves	20	2,103,428	1,588,792
		5,814,308	5,299,672
NON-CURRENT LIABILITIES			
Subordinated loan	21	1,000,000	1,000,000
Long-term financing	22	2,845,455	3,375,000
Deferred taxation	23	144,231	-
		3,989,686	4,375,000
CURRENT LIABILITIES			
Trade and other payables	24	927,882	1,005,331
Interest and mark-up accrued	25	140,429	445,586
Short-term borrowings	26	1,625,123	2,092,912
Current portion of long-term financing	22	964,545	850,000
		3,657,979	4,393,829
CONTINGENCIES AND COMMITMENTS	27		
TOTAL EQUITY AND LIABILITIES		13,461,973	14,068,501

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, 2012

	Note	2012	2011
		.........(Rupees in thousands).........	
Sales - net	28	12,923,025	11,779,054
Cost of sales	29	(10,823,103)	(9,769,526)
Gross profit		2,099,922	2,009,528
General and administrative expenses	30	(262,287)	(227,480)
Selling and distribution expenses	31	(108,056)	(105,160)
Other operating charges	32	(118,999)	(61,865)
Other operating income	33	89,931	88,398
Operating profit		1,700,511	1,703,421
Finance cost	34	(910,967)	(968,727)
Profit before taxation		789,544	734,694
Taxation	35	(274,908)	(329,579)
Profit for the year		514,636	405,115
Earnings per share - basic and diluted attributable to ordinary shareholders (Rupees)		1.76	0.21
Earnings per share - basic and diluted (Rupees)			
Profit for the year		514,636	405,115
Less: Dividend attributable to cumulative preference shares		(390,526)	(390,526)
Profit attributable to ordinary shareholders		124,110	14,589
Weighted average number of ordinary shares (in thousands)		70,684	70,684
Earnings per share attributable to ordinary shareholders (Rupees)	36	1.76	0.21

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, 2012

	2012	2011
	.........(Rupees in thousands).........	
Profit for the year	514,636	405,115
Other comprehensive income	-	-
Total comprehensive income for the year	514,636	405,115

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, 2012

	Note	2012	2011
		.........(Rupees in thousands).........	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	38	3,145,054	1,641,320
Finance cost paid		(1,216,124)	(822,536)
Taxes paid - net		(113,538)	(58,348)
Gratuity paid		(22,402)	(22,396)
Workers' profit participation fund paid		(39,457)	(3,791)
Long-term loans and advances - net		1,258	469
Long-term deposits - net		50	80
Net cash generated from operating activities	39	1,754,841	734,798
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(803,343)	(237,788)
Profit received on bank deposit accounts		94	94
Proceeds from sale of property, plant and equipment		5,702	3,333
Net cash used in investing activities		(797,547)	(234,361)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term financing from banking companies		435,000	-
Repayment of long-term financing from banking companies		(850,000)	(850,000)
Net cash used in financing activities		(415,000)	(850,000)
Net increase / (decrease) in cash and cash equivalents		542,294	(349,563)
Cash and cash equivalents at the beginning of the year		(1,962,993)	(1,613,430)
Cash and cash equivalents at the end of the year		(1,420,699)	(1,962,993)
CASH AND CASH EQUIVALENTS			
Cash and bank balances	17	204,424	129,919
Short-term borrowings	26	(1,625,123)	(2,092,912)
		(1,420,699)	(1,962,993)

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, 2012

	Issued, subscribed and paid-up		Reserves							
			Capital reserves			Revenue reserves				
	Ordinary share capital	Preference share capital	Share premium	Merger reserve	Total	General reserve	Accumulated loss	Total	Sub total	Total
	.........(Rupees in thousands).........									
Balance as at July 1, 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
Total comprehensive income for the year ended June 30, 2012	-	-	-	-	-	-	514,636	514,636	514,636	514,636
Balance as at June 30, 2012	706,834	3,004,046	984,652	7,925	992,577	1,232,750	(121,899)	1,110,851	2,103,428	5,814,308

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

Aftab Ahmad
Chief Executive Officer

Tasleemuddin Ahmed Batlay
Director

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 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 The following standards, amendments and interpretations of approved accounting standards became effective during the year, however, these standards are either not relevant or do not have a significant impact on the Company's financial statements:

IAS 1	Presentation of Financial Statements
IAS 24	Related Party Disclosures
IAS 34	Interim Financial Reporting
IFRS 1	First time Adoption of International Financial Reporting Standards
IFRS 7	Financial Instruments: Disclosures
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

3.2 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.

		Effective date (annual periods beginning on or after)
IAS 1	Presentation of Financial Statements	July 01, 2012
IAS 12	Income Taxes	January 01, 2012
IAS 16	Property, Plant and Equipment	January 01, 2013
IAS 19	Employee Benefits	January 01, 2013
IAS 27	Separate Financial Statements	January 01, 2013
IAS 28	Investments in Associates and Joint Ventures	January 01, 2013
IAS 32	Financial Instruments: Presentation	January 01, 2014
IAS 34	Interim Financial Reporting	January 01, 2013
IFRS 1	First time Adoption of International Financial Reporting Standards	January 01, 2013
IFRS 7	Financial Instruments Disclosures	January 01, 2013
IFRS 9	Financial Instruments – Classification and Measurement	January 01, 2015
IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Joint Arrangements	January 01, 2013
IFRS 12	Disclosure of Interest in Other Entities	January 01, 2013
IFRS 13	Fair Value Measurement	January 01, 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

IAS 19 'Employee benefits' (amended 2011) (is effective for the periods beginning on or after January 01, 2013). This amendment eliminates the corridor approach and requires all actuarial gain and losses to be recognized in other comprehensive income as they occur immediately, and it replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / assets.

This change would affect the recognized amounts of actuarial gain / loss and net defined benefit liability / assets for the accounting period as prescribed above.

Except for the amendments as detailed above, the Company expects that the adoption of the above amendments and interpretations of the standards will not have any material impact and therefore will not affect 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 (refer 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.

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. The cost of the day to day servicing of property, plant and equipment are recognized in profit and loss account during the financial year in which they are incurred.

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 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 (refer 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.

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.

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.

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.

Amortization is provided on a straight line basis at the rates disclosed in note 7 to the financial statements. Amortization on addition to intangible assets is charged from the month of addition while no amortization is charged for the month of disposal or deletion of assets.

Costs associated with maintaining computer software are recognized as an expense as and when incurred.

4.3 Impairment

The carrying amounts 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.

Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

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 monthly weighted 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 materials cost, fuel and power cost and an appropriate proportion of manufacturing overheads including labor cost, depreciation and maintenance etc.

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 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 after taking into account tax credits and tax rebates. It also includes prior year tax adjustments, if any.

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.

c) The Company takes into account the current income tax law and decisions taken by the taxation authorities. For instances where the Company's view differs from the income tax department at the assessment stage, the disputed amounts are shown as contingent liabilities.

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. Finance costs are accounted for on an 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 costs 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. Borrowing cost also includes exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost as allowed under IAS 23 "Borrowing cost".

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 the 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 has approved defined funded gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions to the fund are made based on actuarial recommendations and in line with the provisions of the Income Tax Ordinance, 2001. The most recent actuarial valuation was carried out at June 30, 2012 using the projected unit credit method (refer 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 has approved defined contributory provident fund scheme 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 plus cost of living allowance. Obligation for contributions to defined contribution plan is recognised as an expense in the profit and loss account.

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 discounts, if any.

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, 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. Incidental 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 (refer 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.

5. OPERATING FIXED ASSETS

The following is the statement of operating fixed assets:

Description	Freehold land	Buildings on freehold land	Leasehold improvements	Plant and machinery (note 5.2)	Furniture and fixtures	Vehicles	Electrical & other equipments	Computers	Total
				.........(Rupees in thousands).........					
Year ended June 30, 2012									
Net carrying value basis									
Opening net book value (NBV)	278,390	1,285,842	-	7,720,773	5,258	44,597	14,566	15,809	9,365,235
Additions (at cost)	-	42,051	-	577,379	1,882	14,597	2,555	6,111	644,575
Disposals (NBV)	-	-	-	(217)	-	(3,100)	(22)	-	(3,339)
Depreciation charge	-	(41,743)	-	(699,690)	(1,268)	(9,883)	(5,562)	(9,259)	(767,405)
Closing net book value (note 5.1)	278,390	1,286,150	-	7,598,245	5,872	46,211	11,537	12,661	9,239,066
Gross carrying value basis									
Cost	278,390	1,534,699	6,995	12,161,355	17,387	77,225	39,051	69,806	14,184,908
Accumulated depreciation / impairment	-	(248,549)	(6,995)	(4,563,110)	(11,515)	(31,014)	(27,514)	(57,145)	(4,945,842)
Net book value	278,390	1,286,150	-	7,598,245	5,872	46,211	11,537	12,661	9,239,066
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
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, 2012 is Rs. 1,567 million and written down value is Rs. 2.11 million (2011: Rs. 1,393 million and written down value is Rs 1.46 million).

5.2 Included in plant and machinery are some items with a cost of Rs. 16.87 million (written down value Rs. Nil) [2011: Rs. 16.87 million (written down value Rs. 0.85 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.

	Note	2012	2011
		.........(Rupees in thousands).........	

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

	Note	2012	2011
Cost of sales	29	745,948	723,380
General and administrative expenses	30	20,358	19,298
Selling and distribution expenses	31	1,099	1,090
		767,405	743,768

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

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal (Note 5.4.1)	Particulars of buyers
	.........(Rupees in thousands).........					
Plant and machinery						
Items having book value upto Rs. fifty thousand	24,188	23,971	217	330	Various	-
Vehicles						
Toyota Corolla GLI	969	678	291	288	Sale (Employee)	Mr. Abdul Ghaffar
Toyota Corolla GLI	969	678	291	378	Sale (Employee)	Mr. Iftikhar Elahi
Toyota Corolla GLI	969	678	291	605	Sale (Employee)	Mr. Ayaz Khursheed
Toyota Corolla GLI	969	644	325	536	Sale (Employee)	Mr. Irfan Hafeez (Ex-employee)
Honda City	886	620	266	317	Sale (Employee)	Mr. Yaseen Bhatti
Toyota Corolla GLI	879	605	274	288	Sale (Employee)	Mr. Ahmad Mansoor
Suzuki Cultus	600	420	180	362	Sale (Employee)	Mr. Muhammad Ajmal
Suzuki Cultus	600	420	180	355	Sale (Employee)	Mr. Nadeem Ashraf
Suzuki Cultus	600	420	180	390	Sale (Employee)	Mr. Muhammad Ali Rana
Suzuki Cultus	560	392	168	315	Sale (Employee)	Mr. Ziauddin
Suzuki Alto	504	353	151	259	Sale (Employee)	Mr. Abbas Mehmood
Toyota Corolla 2D Saloon	1,189	951	238	500	Sale (Negotiation)	Mr. Saleem Naushahi
Suzuki Mehran	355	249	106	260	Sale (Negotiation)	Mr. M. Tariq Dyer
Items having book value upto Rs. fifty thousand	546	387	159	476	Various	-
	10,595	7,495	3,100	5,329		
Electrical and other equipments						
Items having book value upto Rs. fifty thousand	122	100	22	36	Various	-
Computers						
Items having book value upto Rs. fifty thousand	549	549	-	7	Various	-
Total – 2012	35,454	32,115	3,339	5,702		
Total – 2011	16,153	13,008	3,145	3,333		

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

	Note	2012	2011
		.........(Rupees in thousands).........	
6. CAPITAL WORK-IN-PROGRESS			
This comprises of:			
Civil works		1,705	1,939
Plant and machinery		194,762	13,638
Advances to suppliers		3,311	2,375
Other		-	1,246
		199,778	19,198
6.1 Movement of carrying amount			
Opening balance		19,198	28,416
Additions (at cost)		787,476	192,883
Transferred to operating fixed assets	6.2	(606,896)	(202,101)
Closing balance		199,778	19,198

6.2 This includes expenditure incurred on Coal Fired Boiler amounting to Rs. 200.55 million which has been capitalized during the year.

	Note	2012	2011
		.........(Rupees in thousands).........	
7. INTANGIBLE ASSETS			
Computer softwares		3,320	722
ERP Accounting Software		19,718	30,261
Computer software - under development		-	303
	7.1	23,038	31,286
7.1 Net carrying value basis			
Opening net book value		31,286	41,463
Additions (at cost)		2,992	625
Amortization charge	30	(11,240)	(10,802)
Closing net book value		23,038	31,286
Gross carrying value basis			
Cost		56,984	53,992
Accumulated amortization		(33,946)	(22,706)
Net book value		23,038	31,286
Amortization rate % per annum		20 - 33.33	20 - 33.33
8. LONG-TERM LOANS AND ADVANCES			
(Unsecured - considered good)			
Long-term loans	8.1	2,774	3,032
Long-term advance to supplier		-	1,000
	8.3	2,774	4,032
8.1 Long-term loans			
Due from employees	8.4	4,155	4,196
Current portion shown under current assets	12	(1,381)	(1,164)
		2,774	3,032

	2012	2011
	.........(Rupees in thousands).........	
8.2 Outstanding period is as under:		
Less than three years but more than one year	2,718	2,913
More than three years	56	119
	2,774	3,032

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

8.4 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	2012	2011
		.........(Rupees in thousands).........	
9. STORES AND SPARES			
Stores	9.1	180,307	260,062
Spares			
in hand		672,802	616,551
in transit		29,382	27,331
		702,184	643,882
		882,491	903,944
Provision for slow moving stores and spares	9.2	(28,736)	(26,469)
	9.3	853,755	877,475

9.1 This includes fuel for power and steam generation amounting to Rs. 21.69 million (2011: Rs. 92.25 million).

	Note	2012	2011
		.........(Rupees in thousands).........	
9.2 Provision for slow moving stores and spares comprises:			
Balance at the beginning of the year		26,469	25,700
Recognized during the year	29	4,800	4,800
Written off during the year		(2,533)	(4,031)
Balance at the end of the year		28,736	26,469

9.3 Stores and spares also include items which may result in capital expenditure but are not distinguishable at the time of purchase. However, the stores and spares resulting in capital expenditure are capitalized as cost of respective assets.

	2012	2011
	.........(Rupees in thousands).........	
10. STOCK-IN-TRADE		
Raw materials		
in hand	1,111,627	1,778,997
in transit	358,730	485,829
	1,470,357	2,264,826
Work-in-process	161,370	302,830
Finished goods	40,600	101,844
	1,672,327	2,669,500

	Note	2012	2011
		.........(Rupees in thousands).........	
11. TRADE DEBTS			
(Unsecured - considered good)			
Due from associated undertakings	11.1	131,441	84,354
Others		914,735	651,493
		1,046,176	735,847
11.1 This comprises of amounts receivable from:			
Merit Packaging Limited		96,077	54,399
Colgate-Palmolive (Pakistan) Limited		34,736	27,716
Clover Pakistan Limited		-	2,193
Tetley Clover (Private) Limited		628	46
		131,441	84,354

11.2 The maximum amount due from related parties at the end of any month during the year was Rs. 183.78 million (2011: Rs. 178.63 million).

	Note	2012	2011
		.........(Rupees in thousands).........	
12. LOANS AND ADVANCES			
(Unsecured - considered good)			
Loans			
Current portion of long-term loans			
Due from employees	8.1	1,381	1,164
Advances			
to employees	12.1	438	1,008
to suppliers		13,593	53,745
		14,031	54,753
	12.2	15,412	55,917

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

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

	2012	2011
	.........(Rupees in thousands).........	
13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		
Deposits	355	8,975
Prepayments	2,984	387
	3,339	9,362

	Note	2012	2011
		.........(Rupees in thousands).........	
14. OTHER RECEIVABLES			
(Unsecured - considered good)			
Due from associated undertakings			
Insurance agency commission		858	7,563
Insurance claim receivable	14.2	132,374	-
	14.1	133,232	7,563
Others		10,361	16,328
		143,593	23,891

14.1 This represents amount receivable from Century Insurance Company Limited.

14.2 This represents insurance claim receivable from insurance company against stock of waste paper burnt by fire (refer note 32.1).

	Note	2012	2011
		.........(Rupees in thousands).........	
15. TAX REFUNDS DUE FROM GOVERNMENT			
(Considered good)			
Income tax	15.1	19,689	12,206
Sales tax and special excise duty		-	56,365
		19,689	68,571

15.1 During the year, the Company has received income tax refund amounting to Rs. 41 million for the tax year 2011.

16. TAXATION - NET

The income tax assessments of the Company have been finalized upto tax year 2011 (accounting year ended June 30, 2011). Adequate provisions have been made in these financial statements for the year ended June 30, 2012 (tax year 2012).

	2012	2011
	.........(Rupees in thousands).........	
17. CASH AND BANK BALANCES		
At banks		
current accounts	12,538	12,708
In hand		
cheques	187,328	113,424
cash	4,558	3,787
	204,424	129,919

			2012	2011
			.........(Rupees in thousands).........	

18. ORDINARY SHARES

Number of ordinary shares of Rs. 10/- each 2012	2011		2012	2011
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

19. PREFERENCE SHARES

Number of preference shares of Rs. 10/- each 2012	2011		2012	2011
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

19.1 In November 2009, the Company has issued preference right shares of the face value of Rs. 10 each, 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.

19.2 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 the balance sheet date amounted to Rs. 1,034.63 million (2011: Rs. 644.11 million).

19.3 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.

19.4 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	2012	2011
		.........(Rupees in thousands).........	
20. RESERVES			
Capital			
Share premium	20.1	984,652	984,652
Merger reserve	20.2	7,925	7,925
		992,577	992,577
Revenue			
General reserve		1,232,750	1,232,750
Accumulated loss		(121,899)	(636,535)
		1,110,851	596,215
	20.3	2,103,428	1,588,792

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

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

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

	Note	2012	2011
		.........(Rupees in thousands).........	
21. SUBORDINATED LOAN - UNSECURED			
From Sponsors of the Company	21.1	1,000,000	1,000,000

21.1 These loans have 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 22.1) and Syndicated Term Finance Facility of Rs. 2,000 million (note 22.2) at the time of execution of these joint facility agreements.

These loans carry mark-up at 11% per annum. The loan is available for repayment after the expiry of lock-in-period in September 2012 as per terms and conditions of the Subordination Agreement, however the amount shall not be repayable before July 01, 2013.

	Note	2012	2011
		.........(Rupees in thousands).........	
22. LONG-TERM FINANCING			
From banking companies - secured			
Utilized under mark-up arrangements			
Financed by:			
Islamic Sukuk Certificates	22.1	1,750,000	2,450,000
Consortium of Banks (Syndicated)	22.2	1,625,000	1,775,000
Term Loans			
Faysal Bank Limited	22.3	180,000	-
Bank Alfalah Limited	22.4	255,000	-
		435,000	-
		3,810,000	4,225,000
Less: Current portion shown under current liabilities		(964,545)	(850,000)
		2,845,455	3,375,000

22.1 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. Upto balance sheet date, five installments have been paid aggregating to Rs. 1,750 million.

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 year, effective mark-up rate was 14.51% (2011: 14.33%).

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.

22.2 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. Upto balance sheet date, five installments have been paid aggregating to Rs. 375 million.

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 year, effective mark-up rate was 14.61% (2011: 14.51%).

22.3 This term finance facility has been obtained from Faysal Bank Limited amounting to Rs. 180 million specifically for New Box Making Machine and Coal Fired Boiler. The tenor of the facility is four years with twelve months grace period. The finance facility is repayable in twelve equal quarterly installments commencing from December 2012.

The finance facility is secured by way of exclusive charge on New Box Making Machine and Coal Fired Boiler with 25% margin.

The rate of mark-up is 1.50% over three months KIBOR of last day of preceding quarter. During the year, the effective mark-up rate was 13.87% per annum.

22.4 These term finance loans have been obtained from Bank Alfalah Limited (Islamic Banking) amounting to Rs. 255 million specifically for refurbishment of Gas Turbine Generators. The tenor of the facility is three years and it is repayable in eleven equal quarterly installments from the date of drawdown of the facility commencing from October 2012 and December 2012 respectively.

The finance facility is secured by way of exclusive charge on respective Gas Turbine Generators with 20% margin.

The rate of mark-up is 1.25% over three months KIBOR of last day of preceding quarter. During the year, the effective mark-up rate was 13.17% per annum.

	Note	2012	2011
		.........(Rupees in thousands).........	
23. DEFERRED TAXATION			
Deferred taxation	23.1	144,231	-

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

	Note	2012	2011
		.........(Rupees in thousands).........	
Deferred tax liabilities			
Accelerated tax depreciation allowance		1,996,717	1,961,038
Deferred tax assets			
Tax losses carried forward		1,669,886	1,908,605
Turnover tax		171,745	42,515
Provision for slow moving stores and spares		10,058	9,264
Others		797	654
		(1,852,486)	(1,961,038)
		144,231	-

	Note	2012	2011
24. TRADE AND OTHER PAYABLES			
Creditors	24.1	369,370	374,079
Foreign bills payable		170,029	253,909
Accrued liabilities		177,721	163,005
Sales tax payable		71,415	-
Customers' balances		48,771	117,597
Provident fund payable		4,005	3,476
Gratuity payable	37.4	2,276	1,867
Workers' profit participation fund	24.2	42,403	39,457
Workers' welfare fund	32	16,113	14,994
Unclaimed dividend		735	736
Security deposits		3,950	3,844
Other liabilities		21,094	32,367
		927,882	1,005,331

24.1 The aggregate amount of the outstanding balance of associated undertakings as at June 30, 2012 is Rs. 6.09 million (2011: Rs. 2.92 million).

	Note	2012	2011
		.........(Rupees in thousands).........	
24.2 Workers' profit participation fund			
Balance at July 01		39,457	3,791
Interest on funds utilized in Company's business	34	2,367	214
Allocation for the year	32	42,403	39,457
		84,227	43,462
Amount paid during the year		(41,824)	(4,005)
Balance at June 30		42,403	39,457

	Note	2012	2011
		.........(Rupees in thousands).........	
25. INTEREST AND MARK-UP ACCRUED			
Interest and mark-up accrued on:			
Long-term financing		124,001	384,937
Short-term borrowings		16,428	60,649
		140,429	445,586
26. SHORT-TERM BORROWINGS			
From Sponsors - unsecured	26.1	300,000	400,000
From Banking Companies - secured			
Running finances	26.2	1,083,459	641,996
Import credit finances	26.3	241,664	1,050,916
	26.4	1,325,123	1,692,912
		1,625,123	2,092,912

26.1 This short-term finance of Rs. 400 million has been obtained to meet working capital requirements. An amount of Rs. 100 million has been paid during the year. The remaining balance of this short-term finance is repayable in lumpsum by November 08, 2012. The loan carries mark-up at 11% per annum.

26.2 The Company has available aggregate short-term running finance facilities amounting to Rs. 2,560 million (2011: Rs. 2,235 million). Mark-up rates are linked with KIBOR from one to three months plus spreads ranging from 0.70% to 1.50% per annum (2011: from 1% to 1.50% per annum).

26.3 The Company has available aggregate sub-limits for FE loans under facilities for running finance and letters of credit amounting to Rs. 2,830 million (2011: Rs. 2,030 million). An amount of US$ 2.55 million (2011: US$ 12.22 million) from banks for settlement of import bills is outstanding as at the balance sheet date. This facility is priced at one month and three months LIBOR plus spreads ranging between 2.50% to 3.50% per annum (2011: from 2.50% to 3.70%).

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, facilities for opening of letters of credit and guarantees amounting to Rs. 3,714 million (2011: Rs. 2,614 million) are available to the Company.

27. CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

a) Guarantees have been issued by banks on behalf of the Company in the normal course of business aggregating to Rs. 355.00 million (2011: Rs. 278.58 million).

b) Post dated cheques have been issued by the Company in favour of the Collector of Customs against custom levies aggregating to Rs. 18.61 million in respect of plant and machinery imported during the year. These post dated cheques have not been provided in the financial statements of the Company.

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. 585.96 million (2011: Rs. 437.46 million).

b) Capital expenditure amounted to Rs. 16.40 million (2011: Rs.119.09 million) including letters of credit amounting to Rs. 13.54 million (2011: Rs. 118.58 million).

	Note	2012	2011
		.........(Rupees in thousands).........	
28. SALES			
Gross sales - local		14,980,408	13,950,540
- export		-	8,197
		14,980,408	13,958,737
Sales tax		(2,057,383)	(1,994,811)
Special excise duty		-	(174,638)
Sales discount		-	(10,234)
		(2,057,383)	(2,179,683)
		12,923,025	11,779,054
29. COST OF SALES			
Materials consumed		7,248,301	6,772,721
Fuel and power		1,341,517	1,367,857
Depreciation on property, plant and equipment	5.3	745,948	723,380
Salaries, wages and other benefits	29.1	462,456	417,843
Stores and spares consumed		133,565	127,376
Repairs and maintenance		398,710	385,228
Packing expenses		235,360	218,315
Insurance		45,482	43,768
Provision for slow moving stores and spares	9.2	4,800	4,800
Rent, rates and taxes		4,260	4,057
Manufacturing cost		10,620,399	10,065,345
Work-in-process			
Opening stock		302,830	78,054
Closing stock		(161,370)	(302,830)
		141,460	(224,776)
Cost of goods manufactured		10,761,859	9,840,569
Finished goods			
Opening stock		101,844	30,801
Closing stock		(40,600)	(101,844)
		61,244	(71,043)
		10,823,103	9,769,526

29.1 Salaries, wages and other benefits includes Rs. 31.19 million (2011: Rs. 28.71 million) in respect of staff retirement benefits.

	Note	2012	2011
		.........(Rupees in thousands).........	

30. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2012	2011
Salaries and other benefits	30.1	154,500	135,099
Depreciation on property, plant and equipment	5.3	20,358	19,298
Amortization on intangible assets	7.1	11,240	10,802
Rent, rates and taxes		6,296	6,621
Information technology		13,749	11,377
Telephone and postage		3,465	2,756
Insurance		1,704	1,862
Repairs and maintenance		4,628	1,959
Electricity		5,020	4,766
Fees and subscription		4,633	2,290
Advertisement and publicity		141	296
Travelling and conveyance		11,641	8,208
Security service charges		18,059	15,319
Printing, stationery and periodicals		4,161	5,645
Business promotion expenses		2,692	1,182
		262,287	227,480

30.1 Salaries and other benefits include Rs. 11.27 million (2011: Rs. 10.37 million) in respect of staff retirement benefits.

	Note	2012	2011
		.........(Rupees in thousands).........	

31. SELLING AND DISTRIBUTION EXPENSES

	Note	2012	2011
Selling expenses			
Salaries and other benefits	31.1	28,349	25,846
Sales commission		-	15,502
Insurance		316	350
Electricity		587	885
Depreciation on property, plant and equipment	5.3	1,099	1,090
Travelling and conveyance		2,044	1,754
Rent, rate and taxes		1,305	1,485
Export related expenses		387	314
Telephone and postage		423	444
		34,510	47,670
Distribution expense			
Outward freight		73,546	57,490
		108,056	105,160

31.1 Salaries and other benefits include Rs. 2.30 million (2011: Rs. 2.12 million) in respect of staff retirement benefits.

	Note	2012	2011
		.........(Rupees in thousands).........	
32. OTHER OPERATING CHARGES			
Legal and professional charges		5,459	6,069
Auditors' remuneration			
Statutory audit		600	550
Half yearly review		125	100
Fee for other services		301	170
Reimbursement of expenses		88	56
		1,114	876
Workers' profit participation fund	24.2	42,403	39,457
Workers' welfare fund	24	16,113	14,994
Loss on stock burnt by fire	32.1	46,994	-
Net exchange loss		6,229	-
Others		687	469
		118,999	61,865

32.1 During the year, stock of waste paper having carrying value of Rs. 179.37 million was burnt due to fire in Waste Paper Stacking Area. The Company lodged insurance claim of the same amount to the insurance company which after taking into account compulsory deductions and other insurer's covenants, is expected to be settled at Rs. 132.37 million. Therefore, the Company has recognized a loss of Rs. 46.99 million on insurance claim of waste paper burnt by fire (refer note 14.2).

	Note	2012	2011
		.........(Rupees in thousands).........	
33. OTHER OPERATING INCOME			
Income from financial assets			
Profit on bank deposit accounts		94	94
Income from non-financial assets			
Sale of scrap		75,290	76,321
Insurance agency commission from associated company		7,768	7,279
Gain on sale of operating fixed assets - net		2,363	188
Others		4,416	4,516
		89,837	88,304
		89,931	88,398
34. FINANCE COST			
Finance cost:			
Long-term financing		560,799	667,855
Long-term financing from sponsors		110,301	110,000
Short-term borrowings		133,660	137,977
Short-term loan from sponsors		44,121	44,000
Workers' profit participation fund	24.2	2,367	214
		851,248	960,046
Net exchange loss on import credit finances		56,289	5,685
Bank charges and commission		3,430	2,996
		910,967	968,727

	Note	2012	2011
		.........(Rupees in thousands).........	

35. TAXATION

	Note	2012	2011
For the year			
Current	35.1	130,677	118,195
Prior		-	(1,163)
Deferred		144,231	212,547
		274,908	329,579

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, 2001 and tax deducted at source on insurance agency commission under Section 233 (final tax regime).

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

	%age	%age
Applicable tax rate	35.00	35.00
Tax effect of expenses that are not deductible in determining taxable profit (permanent differences)	(0.03)	10.24
Effect of final tax under presumptive tax regime	(0.16)	(0.22)
Effect of change in prior year tax	-	(0.16)
	(0.19)	9.86
Average effective tax rate	34.81	44.86

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, 2012 using the Projected Unit Credit Method.

37.2 Principal actuarial assumptions

Following are few important actuarial assumptions used in the valuation:

	2012	2011
Discount rate (%)	13	12
Expected rate of return on plan assets (%)	12	12
Expected rate of increase in salary (%)	13	12
Average expected remaining working life time of employees (years)	7	7

	Note	2012	2011
		.........(Rupees in thousands).........	
37.3 Reconciliation of balance due to defined benefit plan			
Present value of defined benefit obligation		202,040	161,064
Fair value of plan assets		(171,831)	(133,199)
		30,209	27,865
Net actuarial loss to be recognized in later periods		(27,933)	(25,998)
Closing net liability		2,276	1,867
37.4 Movement of the liability recognized in the balance sheet			
Opening net liability		1,867	1,861
Charge for the year	37.8	22,811	22,402
Contribution to fund made during the year		(22,402)	(22,396)
Closing net liability	24	2,276	1,867
37.5 Fair value of plan assets at year end			
Government securities		139,925	98,620
Term Finance Certificates / Certificates of Investment		3,077	3,077
Mutual funds / Shares		28,989	22,432
Others		(160)	9,070
		171,831	133,199
37.6 Movement in present value of defined benefit obligations			
Opening present value		161,064	133,868
Current service cost for the year		18,054	15,811
Interest cost for the year		19,328	16,064
Benefits due but not paid during the year		-	(1,058)
Benefits paid during the year		(3,011)	(3,621)
Actuarial loss		6,605	-
Closing present value		202,040	161,064
37.7 Movement in fair value of plan assets			
Opening fair value		133,199	100,507
Expected return on plan assets		15,984	12,061
Contributions during the year		22,402	22,396
Benefits paid during the year		(3,011)	(3,621)
Benefits due but not paid during the year		-	(1,058)
Actuarial gain on plan assets		3,257	2,914
Closing fair value		171,831	133,199
37.8 Charge for the year			
Current service cost		18,054	15,811
Interest cost		19,328	16,064
Expected return on plan assets		(15,984)	(12,061)
Actuarial losses recognized during the year		1,413	2,588
Charge for the year		22,811	22,402

	2011-12	2010-11	2009-10	2008-09	2007-08
		.........(Rupees in thousands).........			
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	202,040	161,064	133,868	109,952	87,772
Fair value of plan assets at year end	171,831	133,199	100,507	66,813	71,905
	(30,209)	(27,865)	(33,361)	(43,139)	(15,867)
b) Experience Adjustments					
Experience adjustment arising on plan liabilities gains	6,605	-	2,691	7,864	4,944
Experience adjustment arising on plan assets gains/(losses)	3,257	2,914	7,659	(22,694)	(5,974)
Actual return on plan assets	19,241	14,976	15,776		

37.10 The charge in respect of defined benefit plan for the year ending June 30, 2013 is estimated to be Rs. 24.402 million.

	Note	2012	2011
		.........(Rupees in thousands).........	
38. CASH GENERATED FROM OPERATIONS			
Profit before taxation		789,544	734,694
Adjustment for non-cash charges and other items:			
Depreciation		767,405	743,768
Amortization of intangible assets		11,240	10,802
Gain on sale of fixed assets		(2,363)	(188)
Provision for gratuity		22,811	22,402
Provision for slow moving / obsolete stores and spares		4,800	4,800
Workers' profit participation fund		42,403	39,457
Profit on bank deposit accounts		(94)	(94)
Finance cost	34	910,967	963,042
Working capital changes	38.1	598,341	(877,363)
		3,145,054	1,641,320
38.1 Changes in working capital			
Decrease / (increase) in current assets:			
Stores and spares		18,920	(143,548)
Stock-in-trade		997,173	(800,586)
Trade debts		(310,329)	23,816
Loans and advances		40,505	31,985
Trade deposits and short-term prepayments		6,023	(2,394)
Other receivables		(119,702)	(13,727)
Tax refunds due from Government - sales tax and special excise duty		56,365	(11,321)
		688,955	(915,775)
(Decrease) / increase in current liabilities:			
Trade and other payables (excluding unclaimed dividend and gratuity payable)		(90,614)	38,412
		598,341	(877,363)

	2012	2011
	.........(Rupees in thousands).........	

39. CASH FLOWS FROM OPERATING ACTIVITIES (DIRECT METHOD)

	2012	2011
Cash receipt from customers	12,619,160	11,932,311
Cash paid to suppliers / service providers and employees	(9,474,106)	(10,290,991)
Finance cost paid	(1,216,124)	(822,536)
Taxes paid	(113,538)	(58,348)
Gratuity paid	(22,402)	(22,396)
Workers' profit participation fund paid	(39,457)	(3,791)
Long-term loans and advances – net	1,258	469
Long-term deposits – net	50	80
Net cash generated from operating activities	1,754,841	734,798

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:

	2012				2011			
	Chief Executive	Director	Executives	Total	Chief Executive	Director	Executives	Total
	.........(Rupees in thousands).........							
Managerial remuneration	5,605	9,060	60,964	75,629	4,985	9,060	50,024	64,069
House rent	2,522	-	25,585	28,107	2,243	-	21,077	23,320
Bonus	935	-	9,142	10,077	831	-	7,299	8,130
Staff retirement benefits	1,891	-	15,532	17,423	1,178	-	10,283	11,461
Medical	560	900	6,096	7,556	499	900	5,003	6,402
Utilities	-	2,172	314	2,486	-	1,908	284	2,192
Others	8	-	2,011	2,019	9	-	1,577	1,586
Total	11,521	12,132	119,644	143,297	9,745	11,868	95,547	117,160
Number of persons	1	1	59	61	1	1	50	52

b) Aggregate amount charged in these financial statements in respect of Directors' fee is Rs. 1,500 (2011: Rs. 1,500).

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

d) Remuneration to Non-Executive Director relates to amount paid for part time involvement in the Company.

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	2012	2011
			......(Rupees in thousands)......	
Associated companies	Sales of goods and services		1,309,195	1,214,985
	Purchase of goods and services		136,713	127,992
	Rent and other allied charges		5,943	4,069
	Insurance agency commission		7,768	7,279
	Insurance Claim		133,194	839
Other related parties	Purchase of goods and services		7,117	12,761
Sponsors and Directors	Mark-up accrued		154,422	154,000
Retirement benefit plans	Contribution to staff retirement benefit plans		44,358	41,199
Key management personnel	Remuneration and other benefits	41.2	143,297	117,160

41.1 Year end balances

	2012	2011
Receivable from related parties	264,673	91,917
Payable to related parties	6,088	2,914
Long-term financing from sponsors	1,000,000	1,000,000
Short-term financing from sponsors	300,000	400,000
Mark-up payable on sponsors' loan	-	259,425

41.2 The detail of compensation paid to key management personnel are shown under the heading of "Remuneration of Chief Executive, Directors and Executive (note 40)". There are no transactions with key management personnel other than under their terms of employment.

41.3 All transactions with related parties have been carried out on commercial terms and conditions.

42. CAPACITY AND PRODUCTION - TONNES

	2012		2011	
	Annual capacity on three shifts	Actual production	Annual capacity on three shifts	Actual production
Paper and paper board produced (Note: 42.1)	240,000	175,125	240,000	159,246
Paper and paper board conversion	30,000	24,017	22,000	20,910

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

43. FINANCIAL ASSETS AND LIABILITIES

	2012				
	Total	Interest / mark-up bearing			Non-interest /mark up bearing
		Maturity upto one year	Maturity after one year	Sub-total	
	.........(Rupees in thousands).........				
Financial assets					
Long-term loans	4,155	-	-	-	4,155
Long-term deposits	2,775	-	-	-	2,775
Trade debts	1,046,176	-	-	-	1,046,176
Trade deposits	355	-	-	-	355
Other receivables	143,593	-	-	-	143,593
Cash and bank balances	204,424	-	-	-	204,424
	1,401,478	-	-	-	1,401,478
Financial liabilities					
Subordinated loan	1,000,000	-	1,000,000	1,000,000	-
Long-term financing	3,810,000	964,545	2,845,455	3,810,000	-
Trade and other payables	747,260	-	-	-	747,260
Interest and mark-up accrued	140,429	-	-	-	140,429
Short-term borrowings	1,625,123	1,625,123	-	1,625,123	-
	(7,322,812)	(2,589,668)	(3,845,455)	(6,435,123)	(887,689)
On balance sheet gap	(5,921,334)	(2,589,668)	(3,845,455)	(6,435,123)	513,789
Off balance sheet items					
Letters of credit	585,960	-	-	-	585,960
Capital commitments	16,400	-	-	-	16,400
	(602,360)	-	-	-	(602,360)
Total Gap	(6,523,694)	(2,589,668)	(3,845,455)	(6,435,123)	(88,571)

	2011				
	Total	Interest / mark-up bearing			Non-interest /mark up bearing
		Maturity upto one year	Maturity after one year	Sub-total	
	.........(Rupees in thousands).........				
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
Interest and mark-up accrued	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					
Letters of credit	437,460	-	-	-	437,460
Capital commitments	119,090	-	-	-	119,090
	(556,550)	-	-	-	(556,550)
Total Gap	(8,246,415)	(2,942,912)	(4,375,000)	(7,317,912)	(928,503)

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 among 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. 1,401.48 million (2011: Rs. 905.65 million), the financial assets which are subject to credit risk amounted to Rs. 1,396.92 million (2011: Rs. 901.87 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	2012	2011
	.........(Rupees in thousands).........	
Loans and deposits	7,285	15,996
Trade debts	1,046,176	735,847
Other receivables	143,593	23,891
Bank balances	199,866	126,132
	1,396,920	901,866
The aging of trade receivable at the reporting date is:		
Not past due	838,946	512,447
Past due 1-30 days	188,209	203,790
Past due 30-90 days	12,881	13,746
Past due 90 days	6,140	5,864
	1,046,176	735,847

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. The ratings of banks ranges from AA- to AAA.

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).........						
2012							
Long-term financing	4,810,000	6,347,859	651,418	774,286	1,453,932	3,468,223	-
Trade and other payables	747,260	747,260	747,260	-	-	-	-
Interest and mark-up accrued	140,429	140,429	140,429	-	-	-	-
Short-term borrowings	1,625,123	1,635,700	1,635,700	-	-	-	-
	7,322,812	8,871,248	3,174,807	774,286	1,453,932	3,468,223	-
2011							
Long-term financing	5,225,000	7,697,372	635,129	764,893	1,440,917	3,177,208	1,679,224
Trade and other payables	832,020	832,020	832,020	-	-	-	-
Interest and mark-up accrued	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	1,679,224

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:

	2012	2011
	.........(Rupees in thousands).........	
Trade payables	104,943	80,818
Foreign bills payable	170,029	253,909
Import credit finances	241,664	1,050,916
Trade debts	-	(3,468)
Gross balance sheet exposure	516,636	1,382,175
Outstanding letter of credits	599,501	556,040
Net exposure	1,116,137	1,938,215

The following significant exchange rates have been applied.

	2012	2011	2012	2011
	Average rate		Reporting date rate	
	.........(Rupees).........			
USD to PKR	90.37	85.57	94.70	86.05

At reporting date, if the PKR had strengthened by 10% against the US Dollar with all other variables held constant, pre-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.

	2012	2011	2012	2011
	Average rate		Reporting date rate	
	.........(Rupees in thousands).........			
Effect on profit	104,355	194,326	109,355	195,416

The weakening of the PKR against US Dollar would have had an equal but opposite impact on the pre-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:

	2012	2011	2012	2011
	Effective rate		Carrying amount	
	.........(In percent).........		.........(Rupees in thousands).........	
Financial liabilities				
Variable rate instruments				
Islamic Sukuk Certificates	14.51	14.33	1,750,000	2,450,000
Long-term loans	11.00 – 14.61	11.00 – 14.51	3,060,000	2,775,000
Short-term borrowings	11.00 – 12.70	11.00 – 9.40	1,625,123	2,092,912

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) 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 bps increase	100 bps decrease
	.........(Rupees in thousands).........	
As at June 30, 2012		
Cash flow sensitivity - Variable rate financial liabilities	(41,828)	41,828
As at June 30, 2011		
Cash flow sensitivity - Variable rate financial liabilities	(47,566)	47,566

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 determined on the basis of objective evidence at each reporting date. It is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and 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's management believes in 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.

47. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on August 16, 2012 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 change made during the year was as follows:

Net exchange loss on import credit finances amounting to Rs. 5.68 million previously classified under the head of "Other operating charges" (note 32) has now been presented under the head "Finance cost" (note 34) as allowed under IAS 23 Borrowing cost.

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, 2012

NO SHARE HOLDERS	SHAREHOLDING From	To		TOTAL SHARES HELD
350	1	100	shares	9,126
294	101	500	shares	93,558
180	501	1,000	shares	154,195
402	1,001	5,000	shares	998,463
114	5,001	10,000	shares	895,419
46	10,001	15,000	shares	605,624
24	15,001	20,000	shares	427,939
17	20,001	25,000	shares	401,286
10	25,001	30,000	shares	274,110
5	30,001	35,000	shares	161,022
8	35,001	40,000	shares	309,427
8	40,001	45,000	shares	343,518
8	45,001	50,000	shares	392,089
2	50,001	55,000	shares	109,306
5	55,001	60,000	shares	294,975
1	60,001	65,000	shares	65,000
2	65,001	70,000	shares	136,000
1	75,001	80,000	shares	78,561
1	80,001	85,000	shares	81,500
1	85,001	90,000	shares	86,000
3	95,001	100,000	shares	300,000
5	100,001	105,000	shares	514,916
1	105,001	110,000	shares	110,000
2	110,001	115,000	shares	224,183
1	115,001	120,000	shares	119,183
4	120,001	125,000	shares	489,400
1	125,001	130,000	shares	129,800
2	130,001	135,000	shares	267,000
2	140,001	145,000	shares	286,980
2	145,001	150,000	shares	298,500
2	195,001	200,000	shares	400,000
1	215,001	220,000	shares	217,007
1	250,001	255,000	shares	253,500
1	295,001	300,000	shares	300,000
1	300,001	305,000	shares	304,900
1	320,001	325,000	shares	325,000
1	355,001	360,000	shares	357,590
1	360,001	365,000	shares	364,925
2	465,001	470,000	shares	934,700
1	495,001	500,000	shares	500,000
1	525,001	530,000	shares	528,566
1	755,001	760,000	shares	760,000
1	800,001	805,000	shares	805,000
1	930,001	935,000	shares	935,000
1	960,001	965,000	shares	964,345
1	1,340,001	1,345,000	shares	1,343,034
1	1,675,001	1,680,000	shares	1,676,880
1	1,735,001	1,740,000	shares	1,735,329
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
1,528			TOTAL	70,683,426

Categories of Shareholders

SHAREHOLDERS' CATEGORY	Shares Held	Percentage
Directors, CEO and their spouses and minor children	35,673	0.05
Associated Companies / Undertakings and Related Parties	43,137,864	61.03
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	2,264,827	3.20
Modaraba and Mutual Funds	823,967	1.17
Insurance Companies	504,900	0.71
General Public	11,686,899	16.53
Others	4,175,038	5.91
TOTAL	70,683,426	100.00

Shareholders holding 10% or more voting interest	29,683,965	42.00

Shareholding Information for the year ended June 30, 2012

SHAREHOLDERS' CATEGORY		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		13,587
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
MUTUAL FUNDS		
First Capital Mutual Fund Limited		330
CDC-Trustee Pakistan Stock Market Fund		466,047
Golden Arrow Selected Stocks Fund Limited		357,590
DIRECTORS, CEO, 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
Aftab Ahmad	Director	2,736
Shahid Ahmed Khan	Director	1,000
Kemal Shoaib	Nominee Director (NIT)	NIL
Ronak Iqbal Lakhani W/o Iqbal Ali Lakhani		110
Fatima Lakhani W/o Zulfiqar Ali Lakhani		110
Saira Amin Lakhani W/o Amin Mohammed Lakhani		110
Roohi Aftab W/o Aftab Ahmad		27,062
EXECUTIVES		15
PUBLIC SECTOR COMPANIES AND CORPORATIONS		2,357,736
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, TAKAFUL, MODARABA AND PENSION FUNDS		2,769,727
SHAREHOLDERS HOLDING 5% OR MORE VOTING INTEREST		
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
National Bank of Pakistan,Trustee Department		5,552,533

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 04th day of October 2012 and at any adjournment thereof.

Signed this ______________ day of ______________ 2012.

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.

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

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