



Century Paper & Board Mills Limited



# 2020

## ANNUAL REPORT

Clean - Green - Sustainable

# 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.

# CONTENTS

Core Values	02
Code of Ethics	03
Organogram	05
Year at a Glance	06
Key Figures and Ratios	07
Milestones	08
Certifications and Awards	11
Review Report by the Chairman	12
Board of Directors	13
Corporate Information	14
Shareholders' Information	18
Notice of Annual General Meeting	21
DuPont Analysis	26
Statement of Value Added	27
Summarized Six Year Data	28
Financial Performance	30
Horizontal and Vertical Analysis	32
Chairman's Message	36
Directors' Report	38
ڈائریکٹرز رپورٹ	64
Statement of Compliance with the Code of Corporate Governance	65
Auditor's Review Report on Statement of Compliance	67
Financial Statements	68
Pattern of Shareholding	127
Form of Proxy	

# CORE VALUES



# 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 endeavor our best to follow these ethical and good practices.

## Corporate Governance

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

## Human Resource Development

We believe in individual respect and growth. Our employment and Human Resource 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.

# GEOGRAPHICAL PRESENCE

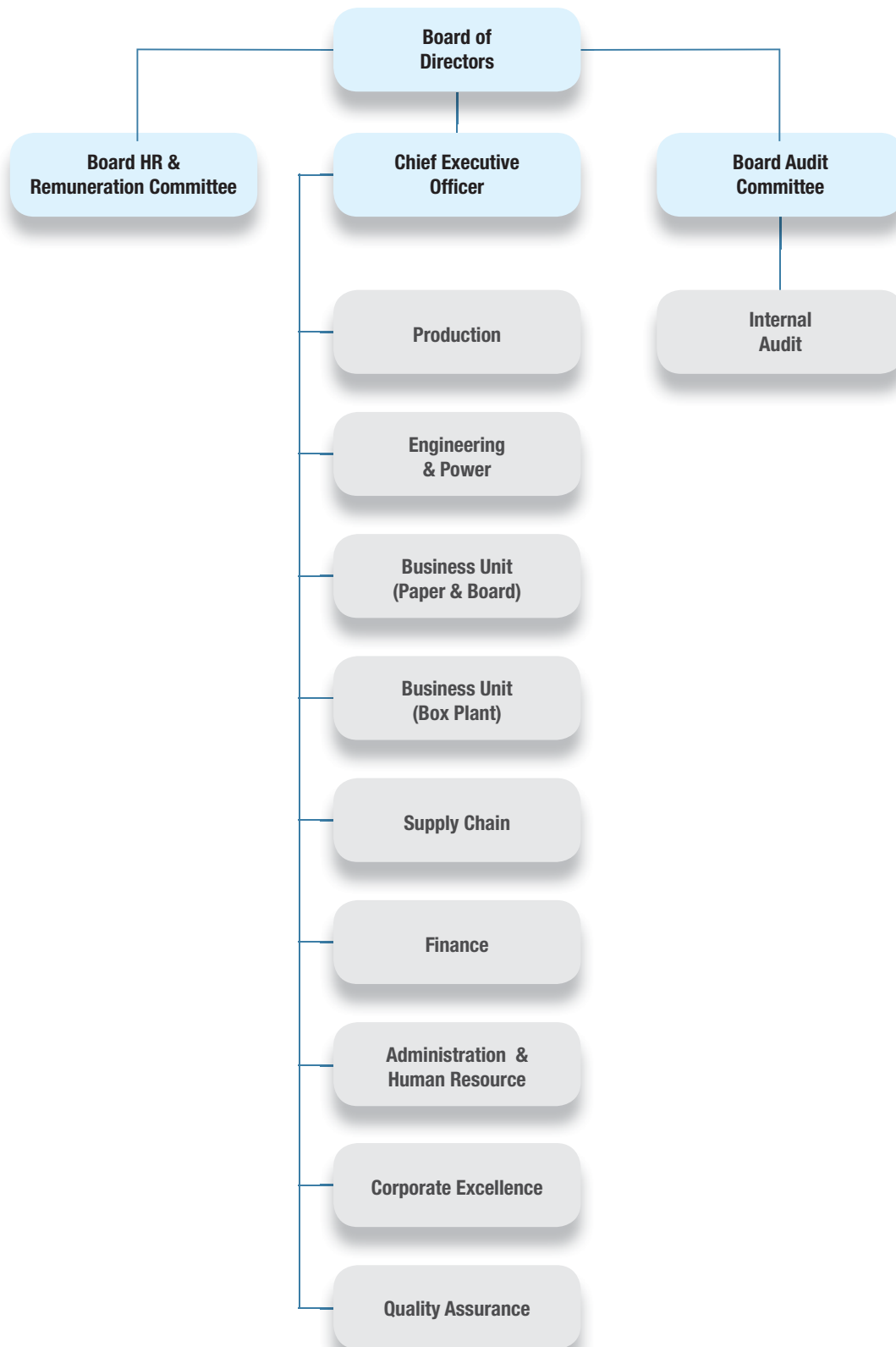
**Mills**  
62 KM, Lahore-Multan Highway,  
N-5, District Kasur.

**Lahore Office**  
14-Ali Block, New  
Garden  
Town, Lahore.



**Head Office**  
Lakson Square,  
Building No.2,  
Sarwar Shaheed  
Road, Karachi.

# ORGANOGRAM



# YEAR AT A GLANCE

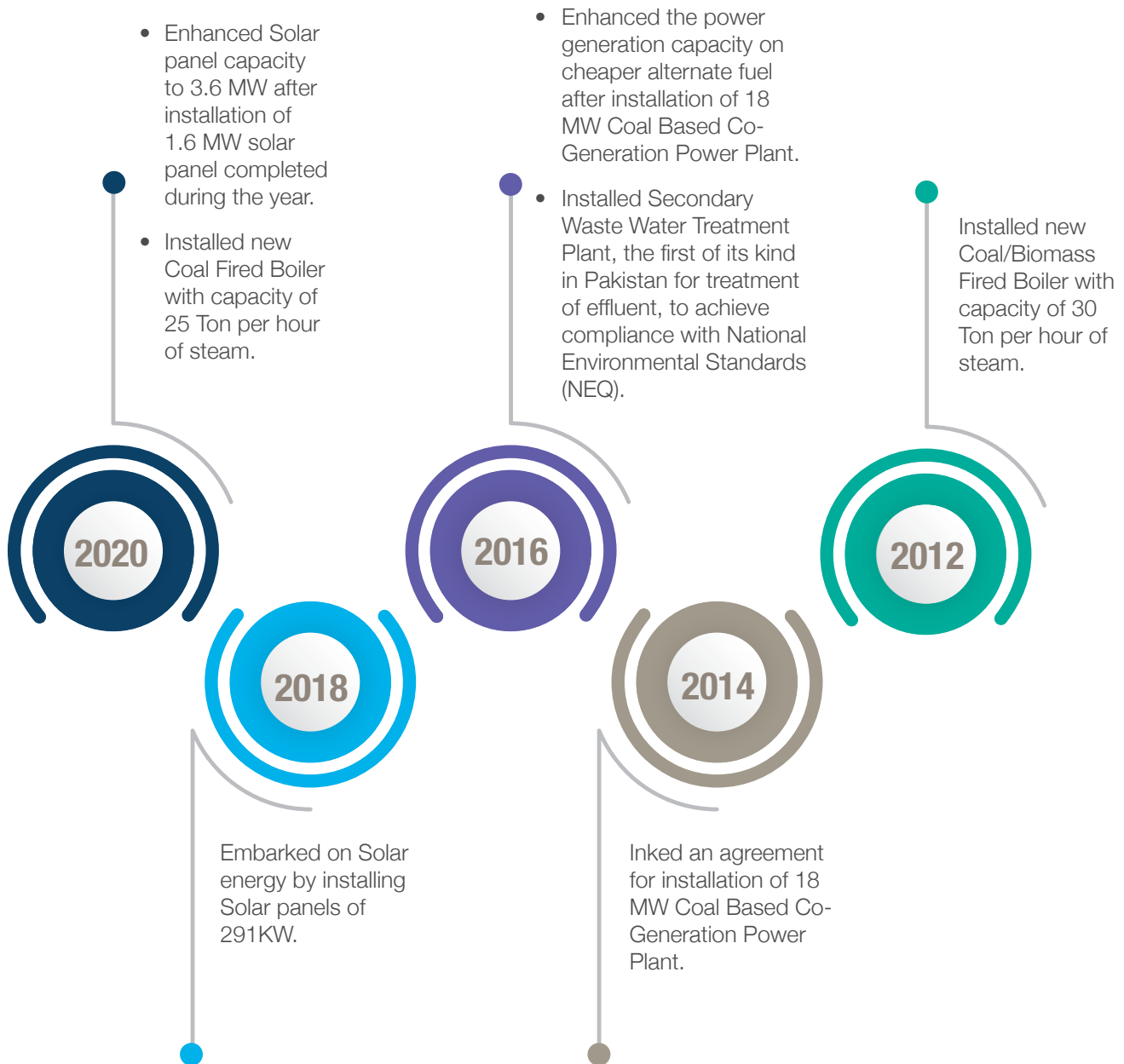


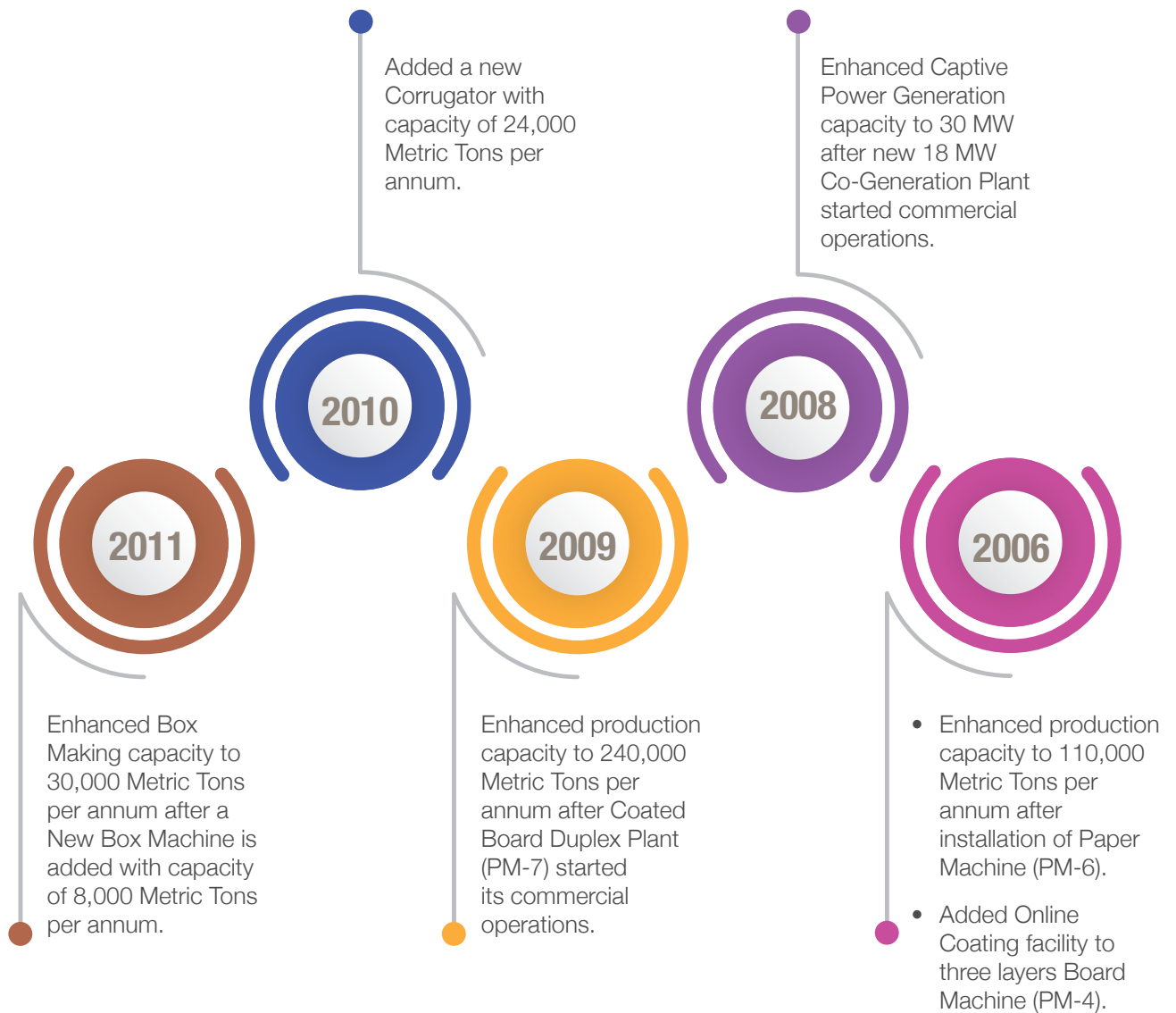


# KEY FIGURES & RATIOS

Key Figures	Rupees in million	
	2020	2019
Gross sales	28,440	25,993
Net sales	24,345	22,241
EBITDA	4,231	2,985
Profit pre tax	2,156	1,239
Profit post tax	1,522	884
Share capital - Ordinary shares	1,470	1,470
Shareholders' equity	7,582	6,189
Total assets	18,597	18,454
Capital expenditure	962	972
Capital employed	12,025	11,581
Long-term financing (including current portion)	2,901	4,183
<b>Key Ratios</b>	<b>2020</b>	<b>2019</b>
Earnings per share - Rupees	10.35	5.80
Breakup value per share - Rupees	51.57	42.10
Price earning ratio	6.91	5.37
Total Debt equity ratio	46 : 54	58 : 42
Debt equity ratio (including current portion)	28 : 72	40 : 60
Leverage ratio	1.45 : 1	1.98 : 1
Current ratio	1.27 : 1	1.20 : 1
Quick ratio	0.43 : 1	0.45 : 1
Asset coverage ratio	2.40 : 1	1.88 : 1
Interest coverage ratio	3.18 : 1	2.63 : 1
Debt servicing coverage ratio	1.53 : 1	1.58 : 1
Debtors days	38	38
Inventory days	65	59
Operating Cycle	54	53

# MILESTONES

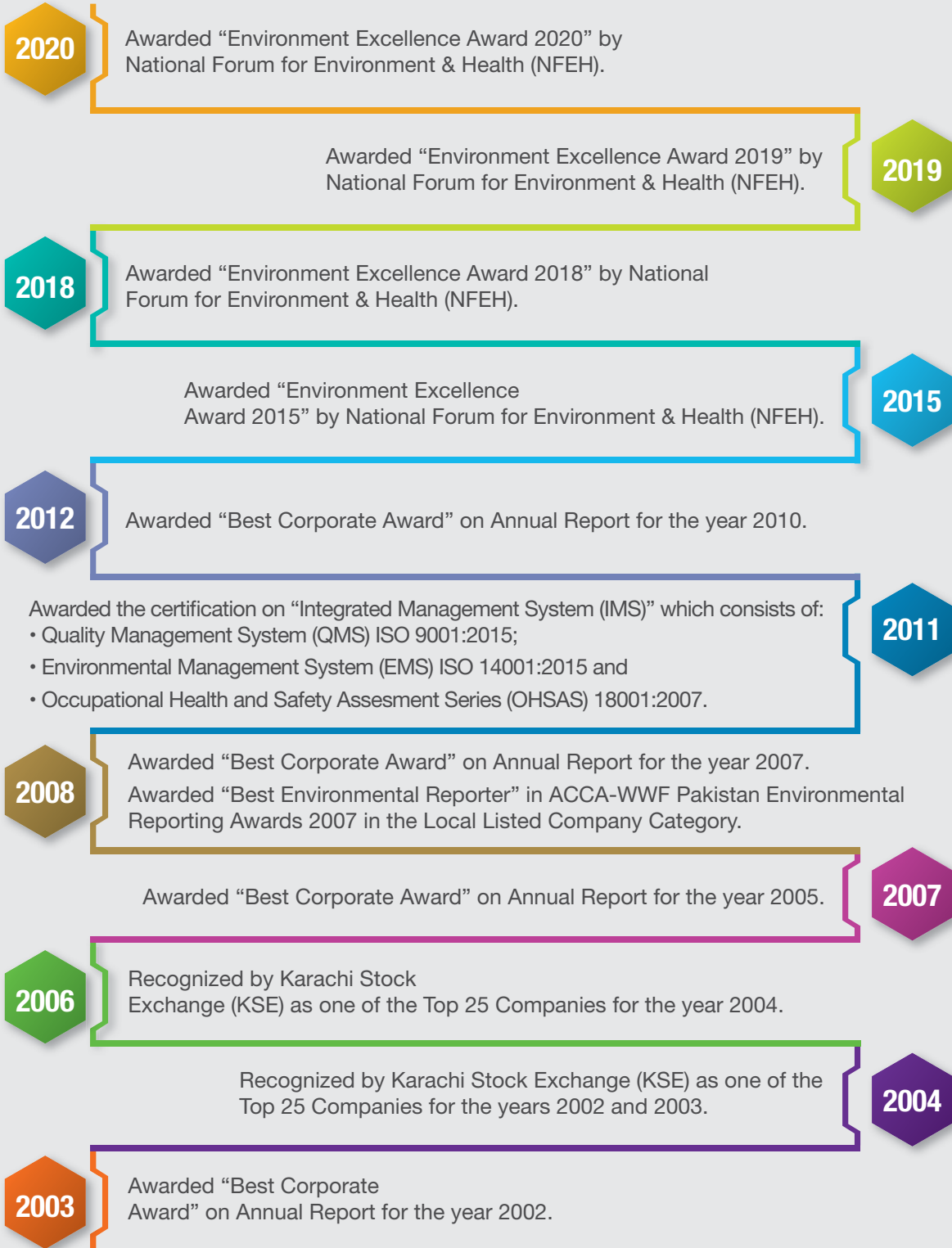




# GROSS SALES REVENUE



# CERTIFICATIONS & AWARDS



# REVIEW REPORT BY THE CHAIRMAN

As required under the Listed Companies (Code of Corporate Governance) Regulations, 2019 an annual evaluation of the Board of Directors of Century Paper & Board Mills Limited is carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

For the financial year ended June 30, 2020, the Board's overall performance and effectiveness has been assessed as Satisfactory. Improvements are an ongoing process leading to action plans. The above overall assessment is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitor financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's responsibility.

The Board of Directors of your Company received agendas and supporting written material including follow up materials in sufficient time prior to the board and its committee meetings. The Board meets frequently enough to adequately discharge its responsibilities. The non-executive and independent directors are equally involved in important decisions.



**Iqbal Ali Lakhani**  
Chairman

Dated: August 25, 2020

# BOARD OF DIRECTORS



**Iqbal Ali Lakhani**  
(Chairman)



**Amin Mohammed  
Lakhani**



**Anushka Lakhani**



**Tasleemuddin  
Ahmed Batlay**



**Shahid Ahmed Khan**



**Engr. M. Abdul Jabbar**



**Kemal Shoaib**



**Aftab Ahmad**  
(Chief Executive Officer)

# CORPORATE INFORMATION

## Board's Committees

### Audit Committee

Kemal Shoaib (Chairman)  
Amin Mohammed Lakhani  
Tasleemuddin Ahmed Batlay

### Human Resource & Remuneration Committee

Engr. M. Abdul Jabbar (Chairman)  
Amin Mohammed Lakhani  
Tasleemuddin Ahmed Batlay  
Aftab Ahmad

## Advisor

Sultan Ali Lakhani

## Officers

### Chief Financial Officer

Muhammad Rashid Dastagir  
Email: rashid-dastagir@centurypaper.com.pk

### Company Secretary

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

## External Auditors

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



## Shares Registrar

FAMCO Associates (Private) Limited  
8-F, Near Hotel Faran, Nursery  
Block-6, P.E.C.H.S.  
Shahra-e-Faisal, Karachi.  
Phone: (021) 34380101-5  
Fax: (021) 34380106  
Email: info.shares@famco.com.pk  
Website: www.famco.com.pk

## Bankers

### Conventional

Allied Bank Limited  
Bank Al-Falah Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
JS Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
Soneri Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
The Bank of Punjab  
Faysal Bank Limited  
Industrial & Commercial Bank of China  
United Bank Limited

### Islamic

Meezan Bank Limited  
Dubai Islamic Bank Limited  
MCB Islamic Bank Limited

## Offices & Mills

### Head Office and Registered Office

Lakson Square, Building No.2,  
Sarwar Shaheed Road,  
Karachi - 74200, Pakistan.  
Phone: (021) 38400000  
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, 4510061-2  
Fax: (049) 4510063

# INTEGRATED MANAGEMENT SYSTEM POLICY

## Century is Committed to:

1. Continual customer satisfaction by providing quality Paper, Paperboard and Corrugated Boxes produced in environment-friendly, Healthy and Safe working conditions.
2. Maintain and update IMS for Quality, Environment and Safety by fulfilling the requirements of International Standards: (ISO 9001, ISO 14001, and OHSAS 18001).
3. Set the IMS objectives and targets for continuously improving the operational efficiencies, resources conservation and mitigation of risks.
4. Take lead in social role and responsibilities towards the surrounding community.
5. Follow and abide by all the applicable Laws and Legal requirements.
6. Implement Century Value System and to endeavour that its employees are the best citizens following ethical values and good practices in advancement and betterment of the Company and the Society.



## ENVIRONMENT POLICY

- 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.



## 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.



## SAFETY POLICY

- 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.

# SHAREHOLDERS' INFORMATION

## The Company

The Century Paper & Board Mills Limited is listed on Pakistan Stock Exchange Limited (PSX) and the stock code for dealing in equity shares of the Company at PSX is CEPB. The Registered office is located at Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi, Pakistan. Phone: (021) 38400000 and Fax: (021) 35681163 and 35683410.

## Ownership

On June 30, 2020 the Company has 1,916 shareholders.

## Annual General Meeting

The annual shareholders meeting will be held on Wednesday, October 07, 2020 at 03:00 p.m. at Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi through video conference. Shareholders of the company are encouraged to participate.

## Date of Book Closer

The register of the members and shares transfer books of the Company will remain closed from October 04, 2020 to October 07, 2020 (both days inclusive).

## Dividend Announcement

The Board of Directors of the Company has proposed final cash dividend Rs. 1.50 per share (15%) and by way of issue of fully paid bonus shares @ 20% in the proportion of one (1) share for every five (5) shares of Rs.10.00 each for the year ended June 30, 2020.

## Dividend payment

The proposal of the Board of Directors for dividend payment will be considered at the Annual General Meeting. If the proposal is approved, the dividend will be paid through E-Dividend mandate. Bonus shares will be credited/dispatched in to respective accounts/registered address.

Income tax and zakat will be deducted in accordance with the current regulations.

## E-Dividend mandate (Mandatory)

Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders. In order to receive dividends directly into their bank account, shareholders are requested to fill in Dividend Mandate Form available on Company's website and send it duly signed along with a copy of CNIC to the Registrar of the Company.

## Share Price and Trading Volumes

Period	Share Price (Rupees)			Daily Average of Trading Volume
	High	Low	Closing	
First Quarter (Jul-Sep, 2019)	33.85	23.75	27.50	116,661
Second Quarter (Oct-Dec, 2019)	54.00	27.70	50.68	103,200
Third Quarter (Jan-Mar, 2020)	62.50	42.59	46.21	119,611
Fourth Quarter (Apr-Jun, 2020)	75.99	44.00	71.57	294,267
For the Year	75.99	23.75	71.57	157,014

## Financial Results

The tentative timelines of the financial results for the year 2020-21 for approval in the Board of Directors meetings are as follows:

First Quarter ending on September 30, 2020	October 2020
Second Quarter ending on December 31, 2020	January 2021
Third Quarter ending on March 31, 2021	April 2021
For the year ending on June 30, 2021	August 2021

## Web Presence

Annual/Quarterly reports are regularly placed at the Company's website, [www.centurypaper.com.pk](http://www.centurypaper.com.pk).

## Change of Address

All registered shareholders should send information on changes of address to: FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Nursery Block-6, P.E.C.H.S., Shakra-e-Faisal, Karachi.

# ENTITY RATING

by JCR-VIS Credit Rating Company Limited as on June 2020

## Long-Term A+ (A Plus)

- Good credit quality.
- 'A' ratings denote expectations of low credit risk.
- Protection factors are adequate.
- Risk factors may vary with possible changes in the economy.

## Short-Term A-1 (A minus One)

- High certainty of timely payment.
- Liquidity factors are excellent and supported by good fundamental protection factors.
- Risk factors are minor.

# CORPORATE CALENDAR

Audit Committee meeting to consider annual accounts of the Company for the year ended June 30, 2019

August 07, 2019

Board of Directors meetings to consider annual accounts of the Company for the year ended June 30, 2019

August 08, 2019

Annual General Meeting of Shareholders to consider annual accounts of the Company for the year ended June 30, 2019

September 26, 2019

Audit Committee meeting to consider interim accounts of the Company for the first quarter ended September 30, 2019

October 23, 2019

Board of Directors meeting to consider interim accounts of the Company for the first quarter ended September 30, 2019

October 25, 2019

Audit Committee meeting to consider interim accounts of the Company for the half year ended December 31, 2019

January 27, 2020

Board of Directors meeting to consider interim accounts of the Company for the half year ended December 31, 2019

January 28, 2020

Audit Committee meeting to consider interim accounts of the Company for the nine months ended March 31, 2020

April 24, 2020

Board of Directors meeting to consider interim accounts of the Company for the nine months ended March 31, 2020

April 27, 2020

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 37th Annual General Meeting of CENTURY PAPER & BOARD MILLS LIMITED will be held on Wednesday, October 07, 2020 at 03:00 p.m. at the Registered office of the Company at Lakson Square Building No.2, Sarwar Shaheed Road, Karachi through Video Conference to transact the following business:

## ORDINARY BUSINESS

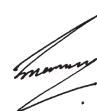
1. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2020 together with the Directors' and Auditors' reports thereon.
2. To declare final dividend in cash @15% i.e. Rs.1.50 per share of Rs.10.00 each and by way of issue of fully paid bonus shares @ 20% in the proportion of one share for every five shares of Rs.10.00 each held by the members as recommended by the Board of Directors.
3. To appoint Auditors and fix their remuneration.

## SPECIAL BUSINESS

4. To consider to pass the following resolutions as special resolution:
  - a) "RESOLVED that the transactions carried out in normal course of business with associated companies/ related parties as disclosed in Note No.44 during the year ended June 30, 2020 be and are hereby ratified and approved."
  - b) "RESOLVED that the Chief Executive Officer of the Company be and is hereby authorized to approve all the transactions carried out and to be carried out in normal course of business with associated companies/related parties during the ensuing year ending June 30, 2021 and in this connection the Chief Executive Officer be and is hereby also authorized to take any and all necessary actions and sign/execute any and all such documents/indentures as may be required in this regard on behalf of the Company."

Statement under Section 134 of the Companies Act, 2017 in the above matter mentioned in item No.4 is annexed.

By Order of the Board



**MANSOOR AHMED**  
Company Secretary

Karachi: August 31, 2020

## NOTES:

1. The share transfer books of the Company will remain closed from October 04, 2020 to October 07, 2020 (both days inclusive). Transfers received in order by the Shares Registrar of the Company, M/s. FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shakra-e-Faisal, Karachi upto the close of business on October 03, 2020 will be treated in time for entitlement of the dividend and bonus shares.
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 along with original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.
3. In light of the threat by the evolving coronavirus (COVID-19) situation, the Securities & Exchange Commission of Pakistan vide Circular No. 5 dated March 17, 2020 has advised the Company to modify their usual planning for Annual General Meeting in order to protect the well-being of the shareholders.

The Shareholders who are interested to attend the AGM through Video Conference, are hereby requested to get themselves registered with the Company Secretary office by providing the following detail at the earliest but not later than 24 hours before the time of AGM (i.e. before 3.00 p.m on October 06, 2020) through following means.

- a) Mobile/WhatsApp: 0315 5008228
- b) E-mail: mansoor-ahmed@centurypaper.com.pk

Shareholders are advised to mention Name, CNIC Number, Folio/CDC Account Number, cell number and email ID for identification.

Upon receipt of the above information from the interested shareholders, the Company will send the login credentials at their e-mail address. On the date of AGM, shareholders will be able to login and participate in the AGM proceedings through their smartphone / computer devices.

In view of the above the Shareholders can also provide their comments/suggestions for the proposed agenda items of the AGM by using the aforesaid means.

4. 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, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the meeting as are available to a member. A proxy must be a member of the Company.
5. Form of proxy, in order to be valid must be properly filled-in/executed and received at the registered office of the Company situated at Lakson Square, Building No.2, Sarwar Shaheed Road, Karachi not later than 48 hours before the time of the meeting excluding holidays.



6. Members holding shares in physical form are requested to promptly notify Shares Registrar of the Company of any change in their addresses. Shareholders maintaining their shares in electronic form should have their address updated with their participant or CDC Investor Accounts Service.
7. Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders.

In order to receive dividends directly into their bank account, shareholders are requested to fill in Electronic Credit Mandate Form available on Company's website and send it duly signed along with a copy of CNIC to the Shares Registrar of the Company M/s. FAMCO Associates (Private) Limited, in case of physical shares.

In case shares are held in CDC then Electronic Credit Mandate Form must be submitted directly to shareholder's broker/participant/CDC account services. No further action is required if IBAN has already been incorporated/updated in the CDC account or physical folio of the shareholder.

8. Pursuant to Notification vide SRO.787(1)/2014 of September 08, 2014, SECP has directed to facilitate the members of the Company receiving Annual Financial Statements and Notices through electronic mail system (e-mail). We are pleased to offer this facility to our members who desire to receive Annual Financial Statements and Notices of the Company through e-mail in future. In this respect members are hereby requested to convey their consent via e-mail on a standard request form which is available at the Company website i.e. [www.centurypaper.com.pk](http://www.centurypaper.com.pk). Please ensure that your e-mail has sufficient rights and space available to receive such e-mail which may be larger than 1 MB file in size. Further, it is the responsibility of the member to timely update the Shares Registrar of any change in the registered e-mail address.
9. (i) Pursuant to the provisions of the Finance Act, 2019 effective July 1, 2019, the rates of deduction of income tax from dividend payments under Section 150 of the Income Tax Ordinance, 2001 have been revised as follows:
  1. Persons appearing in Active Tax Payers List (ATL) 15%
  2. Persons not appearing in Active Tax Payers List (ATL) 30%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered in ATL before the first day of book closure, otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

- (ii) Withholding Tax exemption from the dividend income, shall only be allowed if copy of valid tax exemption certificate or stay order from a competent court of law is made available to FAMCO Associates (Private) Limited, by the first day of Book Closure.
- (iii) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder(s) based on their shareholding proportions, in case of joint accounts.

In this regard all shareholders who hold shares jointly are requested to provide shareholding Proportions of Principal shareholders and Joint-holder(s) in respect of shares held by them (only if not already provided) to our Shares Registrar, in writing as follows:

Company Name	Folio/ CDS Account No.	Total Shares	Principal Shareholder		Joint Shareholder	
			Name and CNIC No.	Shareholding Proportion (No. of Shares)	Name and CNIC No.	Shareholding Proportion (No. of Shares)

The required information must reach our Shares Registrar within 10 days of this notice; otherwise It will be assumed that the shares are equally held by Principal shareholder and Joint-holder(s).

- (iv) For any query/problem/information, the investors may contact the Company Secretary at phone: (021) 38400000 and email address: mansoor-ahmed@centurypaper.com.pk and/or FAMCO Associates (Private) Limited at phone: (021) 34380101-5 and email address: info.shares@famco.com.pk .
  - (v) Corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or FAMCO Associates (Private) Limited. Shareholders while sending NTN or NTN certificates, as the case may be, must quote Company name and their respective folio numbers. Without the NTN Company would not be in a position to check filer status on the ATL and hence higher tax of 30% may be applied in such cases.
10. Members can exercise their right to demand a poll subject to meeting requirements of Section 143 to Section 145 of the Companies Act, 2017 and applicable clauses of the Companies (Postal Ballot) Regulations, 2018.
11. Form of Proxy is enclosed.

# STATEMENT OF MATERIAL FACTS

## Concerning Special Business pursuant to Section 134 of the Companies Act, 2017

The statement sets out the material facts concerning the Special Business given in agenda item No.4 of the Notice will be considered to be passed by the members. The purpose of the Statement is to set forth the material facts concerning such Special Business.

- 1 - Agenda Item No. 4(a) of the Notice – Transactions carried out with associated companies/related parties during the year ended June 30, 2020 to be passed as a Special Resolution.

The transactions carried out in normal course of business with associated companies/related parties were being approved by the Board as recommended by the Audit Committee on quarterly basis pursuant to Clause 15 of Listed Companies (Code of Corporate Governance) Regulations, 2019.

During the Board meeting it was pointed out by the Directors that as some of Company Directors were interested in these transactions, the quorum of directors seemingly could not be formed for approval some of these transactions which have to be approved by the shareholders in the general meeting.

In view of the above, the transactions conducted during the financial year ended June 30, 2020 with associated companies/related parties shown in Note No.44 of the financial statements are being placed before the shareholders for their consideration and approval/ratification.

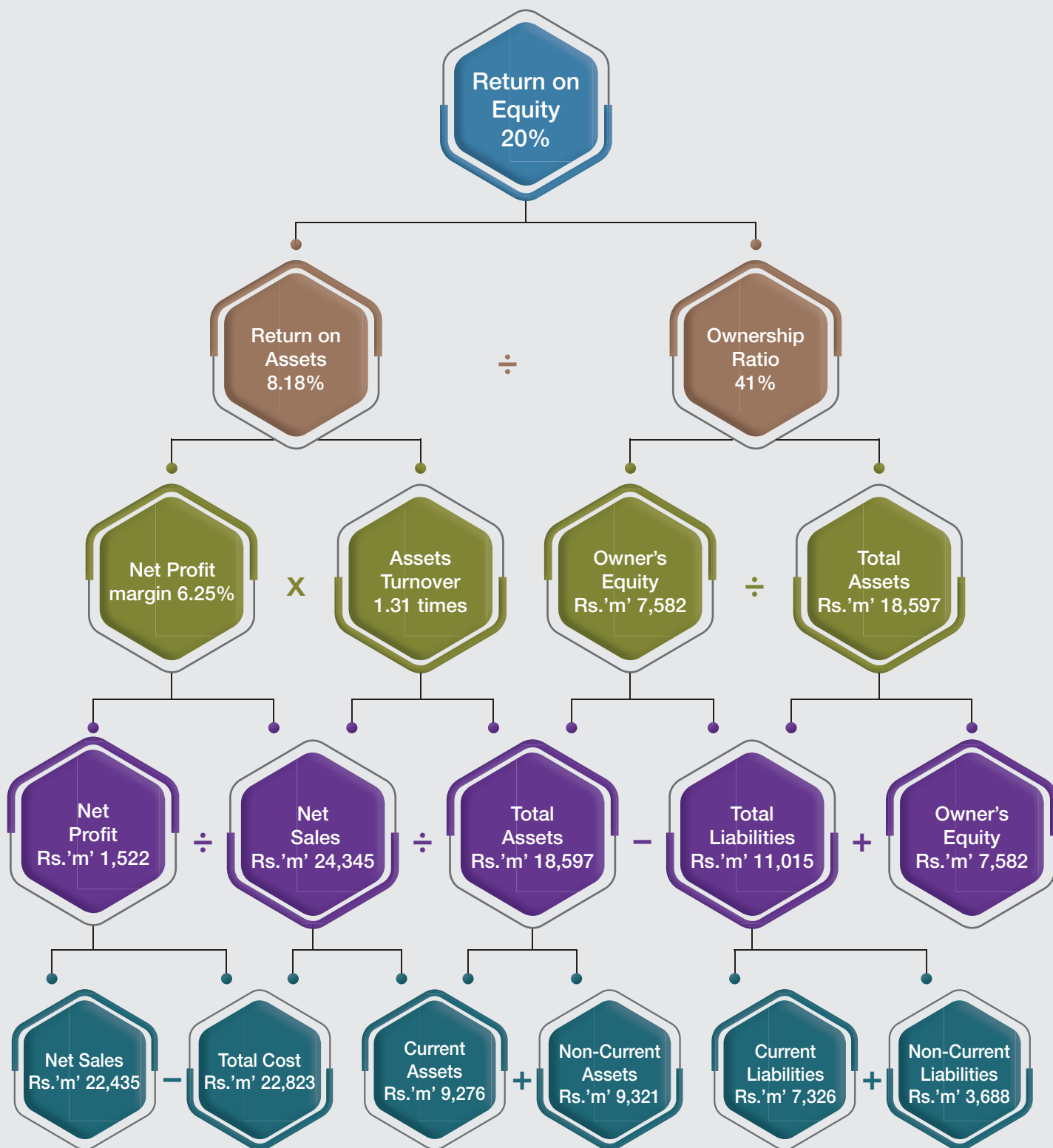
- 2 - Agenda Item No. 4(b) of the Notice – Authorization to the Chief Executive for the transactions carried out and to be carried out with associated companies during the ensuing year ending June 30, 2021 to be passed as a Special Resolution.

The Company would be conducting transactions with associated companies/related parties in the normal course of business. The majority of Directors are interested in these transactions, therefore, such transactions with associated companies/related parties have to be approved by the shareholders.

In order to comply with the provisions of Clause 15 of Listed Companies (Code of Corporate Governance) Regulations, 2019, the shareholders may authorize the Chief Executive Officer to approve transactions carried out and to be carried out in normal course of business with associated companies/related parties during the ensuing year ending June 30, 2021.

The Directors are interested in the resolutions to the extent of their common directorships and shareholding in the associated companies and the privileges attached thereto only.

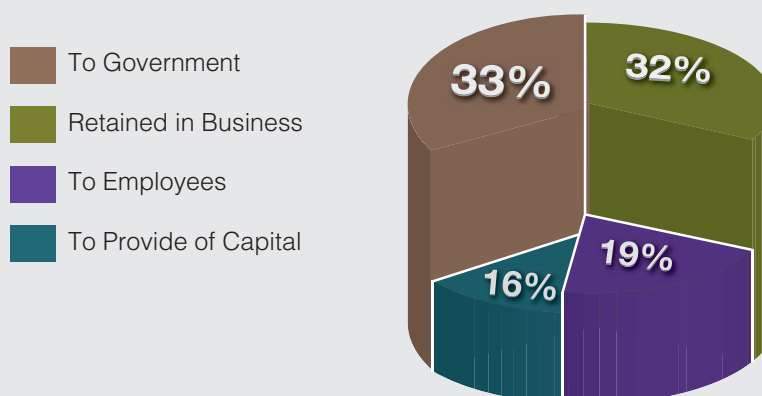
# DUPONT ANALYSIS



# STATEMENT OF VALUE ADDED

	2020	%age	2019	%age
	----- Rupees in thousands -----			
<b>Wealth Generated</b>				
Gross Turnover	28,439,685		25,992,671	
Purchased material and services	(21,132,692)		(20,127,280)	
<b>Value Added</b>	<b>7,306,993</b>		<b>5,865,391</b>	
Other Income	103,308		92,434	
<b>TOTAL</b>	<b>7,410,301</b>	<b>100</b>	<b>5,957,825</b>	
<b>Wealth Distributed</b>				
<b>To Employees</b>				
Salaries, benefits and related costs	1,374,709	19	1,223,130	21
<b>To Government</b>				
Income Tax, Sales Tax, Import Duty and Workers' Welfare Fund	2,419,578	33	2,143,245	36
<b>To providers of Capital</b>				
Dividend to Shareholders (Note)	220,527	3	178,602	3
Finance cost on borrowed funds	987,037	13	762,165	13
<b>Retained in Business</b>				
Depreciation, amortisation and retained profit	2,408,450	32	1,650,683	27
<b>TOTAL</b>	<b>7,410,301</b>	<b>100</b>	<b>5,957,825</b>	<b>100</b>

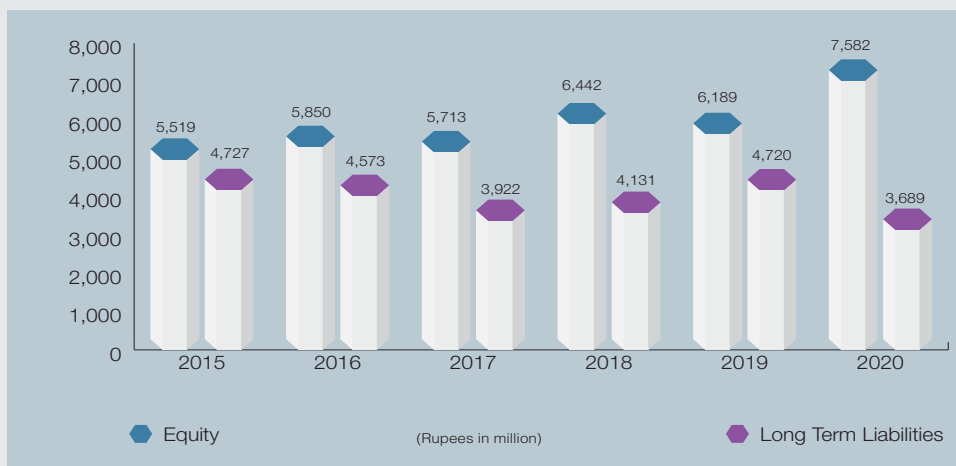
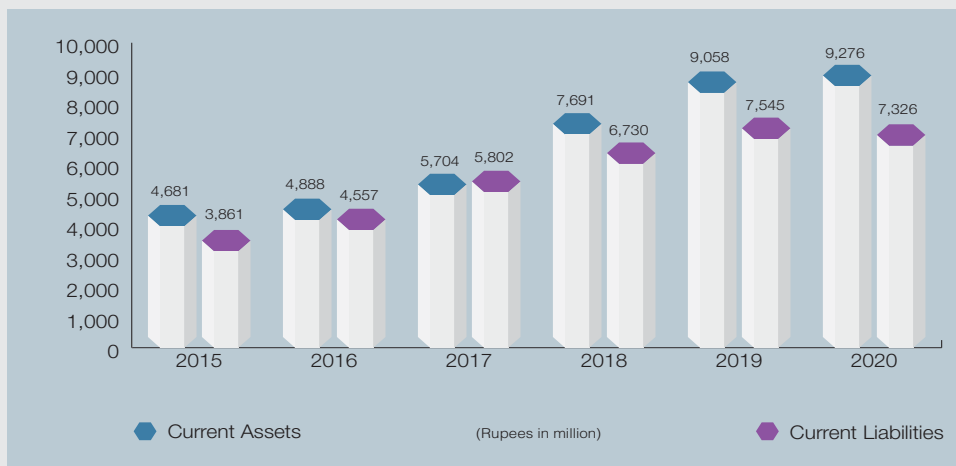
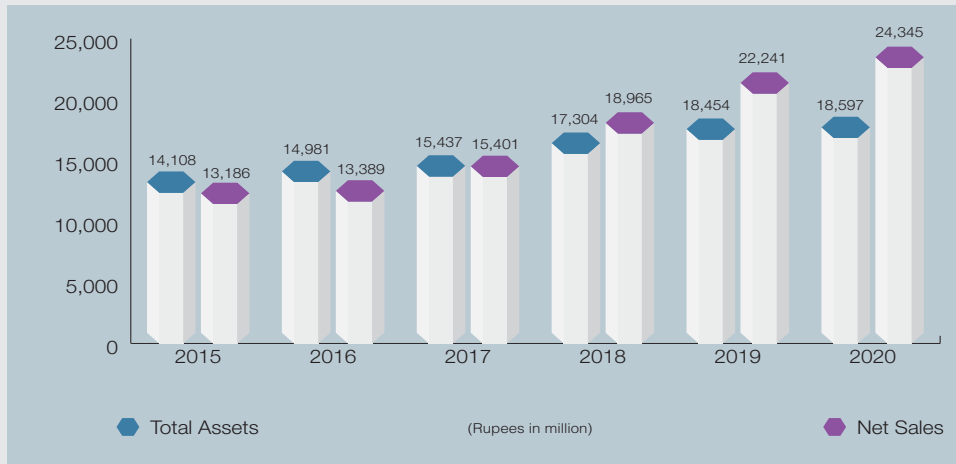
**Note:** It represents total dividend for the year including final dividend declared subsequent to year end. Current year figure does not include bonus shares as it will be appropriated from Capital Redemption Reserve Fund.



# SUMMARIZED SIX YEAR DATA

Rupees in million

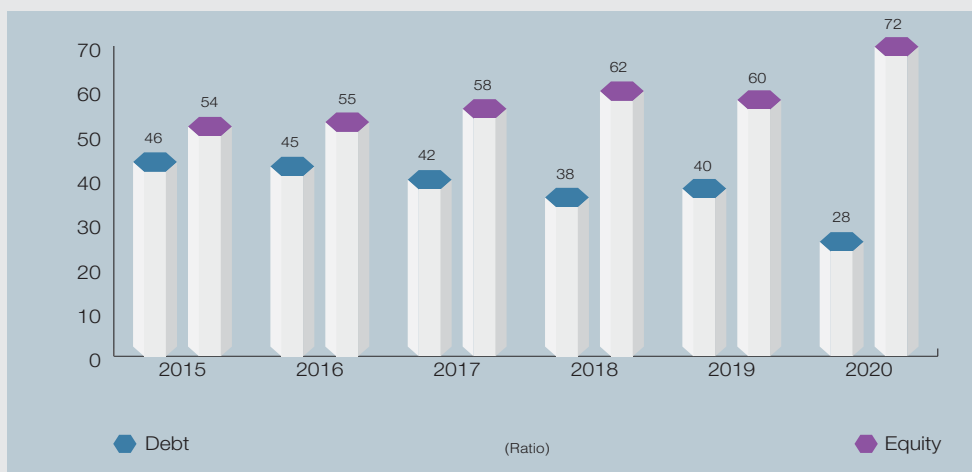
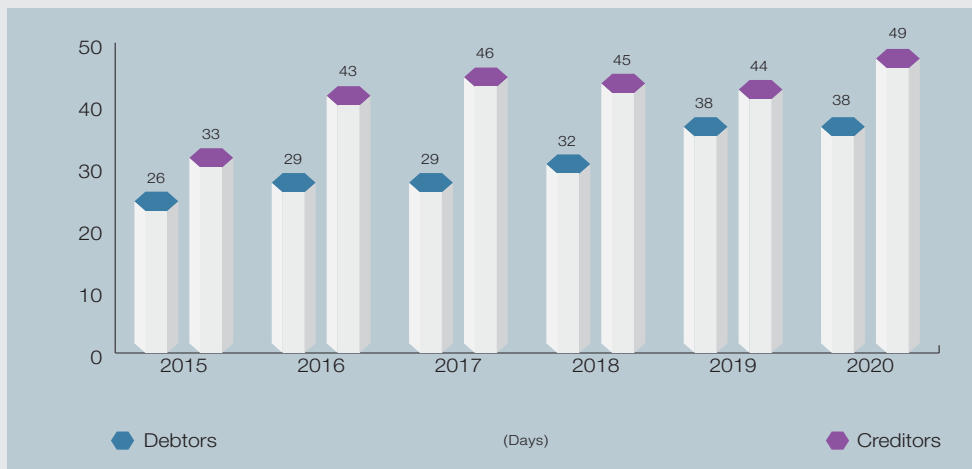
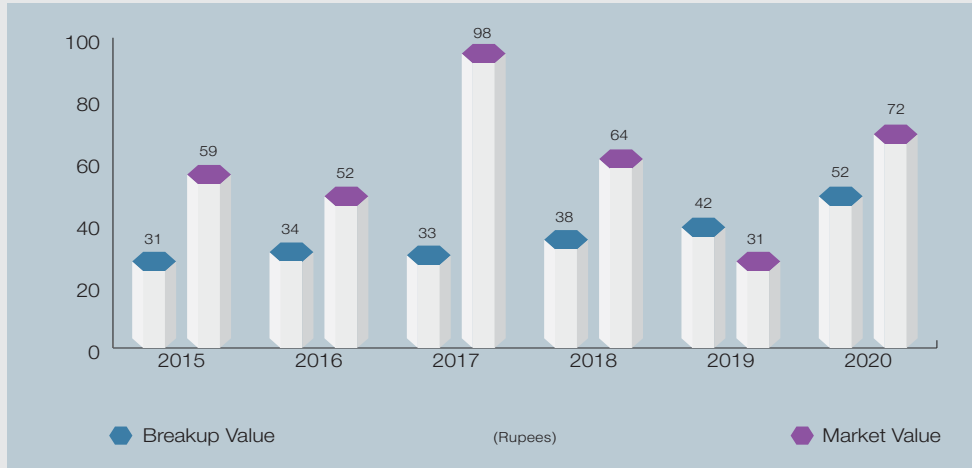
	2020	2019	2018	2017	2016	2015
<b>Balance Sheet</b>						
Share Capital						
Ordinary shares	1,470	1,470	1,470	1,470	1,470	1,470
Preference shares	-	-	901	901	901	901
Reserves	6,112	4,719	4,071	3,342	3,479	3,147
Shareholders' equity	7,582	6,189	6,442	5,713	5,850	5,519
Long-term financing (including current portion)	2,901	4,183	3,869	4,070	4,824	4,771
Deferred taxation – Liability	1,189	1,209	1,309	934	695	578
Capital employed	12,025	11,581	11,621	10,717	11,370	10,868
Property, plant and equipment	9,290	9,373	9,590	9,723	10,087	9,414
Other non-current assets	30	22	24	10	6	12
Net current assets / Working capital	1,950	1,514	961	(98)	331	821
<b>Profit or Loss</b>						
Sales – gross	28,440	25,993	22,191	18,021	15,603	15,391
Sales – net	24,345	22,241	18,965	15,401	13,389	13,186
Gross profit	3,936	2,662	2,506	1,792	1,267	878
Operating profit	3,143	2,001	1,892	1,311	792	400
Profit / (loss) before tax	2,156	1,239	1,431	904	436	(176)
Profit / (loss) after tax	1,522	884	992	602	322	(205)
EBITDA	4,231	2,985	2,880	2,223	1,669	1,307
<b>Cash Flows</b>						
Net cash flow from operating activities	2,895	862	727	1,302	1,536	961
Net cash flow from investing activities	(949)	(962)	(684)	(664)	(1,529)	(1,897)
Net cash flow from financing activities	(1,431)	(785)	(441)	(1,480)	54	641
Changes in cash and cash equivalents	516	(885)	(398)	(843)	60	(295)
Cash and cash equivalents – Year end	(3,380)	(3,896)	(3,011)	(2,614)	(1,771)	(1,831)
<b>Others</b>						
Number of Employees	1,640	1,652	1,646	1,548	1,521	1,543
Number of shares (million)						
Ordinary shares	147	147	147	147	147	147
Preference shares	-	-	90	90	90	90



# FINANCIAL PERFORMANCE

		2020	2019	2018	2017	2016	2015
<b>Profitability</b>							
Gross profit margin	%	<b>16</b>	12	13	12	9	7
EBITDA margin to sales	%	<b>17</b>	13	15	14	12	10
Profit / (loss) before tax margin	%	<b>9</b>	6	8	6	3	(1)
Net profit / (loss) margin	%	<b>6</b>	4	5	4	2	(2)
Return on average equity	%	<b>22</b>	14	15	11	6	(4)
Return on capital employed	%	<b>22</b>	14	15	11	6	2
<b>Operating Performance / Liquidity</b>							
Total assets turnover (excl. CWIP)		<b>1.32 : 1</b>	1.22 : 1	1.13 : 1	1.02 : 1	0.90 : 1	1.07 : 1
Fixed assets turnover		<b>2.66 : 1</b>	2.44 : 1	2.08 : 1	1.58 : 1	1.37 : 1	1.68 : 1
Debtors turnover		<b>9.55 : 1</b>	9.6 : 1	11.23 : 1	12.64 : 1	12.79 : 1	14.12 : 1
Debtors days		<b>38</b>	38	32	29	29	26
Inventory turnover		<b>5.66 : 1</b>	6.14 : 1	6.77 : 1	7.37 : 1	6.53 : 1	5.42 : 1
Inventory days		<b>65</b>	59	54	50	56	67
Creditors turnover		<b>7.53 : 1</b>	8.25 : 1	8.11 : 1	7.95 : 1	8.58 : 1	11.10 : 1
Creditors days		<b>49</b>	44	45	46	43	33
Operating cycle days		<b>54</b>	53	41	33	42	60
Return on assets (excl. CWIP)	%	<b>8.24</b>	4.85	5.89	3.98	2.16	(1.67)
Current ratio		<b>1.27 : 1</b>	1.20 : 1	1.14 : 1	0.98 : 1	1.07 : 1	1.21 : 1
Quick / Acid test ratio		<b>0.43 : 1</b>	0.45 : 1	0.41 : 1	0.31 : 1	0.33 : 1	0.34 : 1
<b>Capital Market / Capital Structure Analysis</b>							
Market value per share	Rs	<b>71.57</b>	31.15	63.50	98.05	52.04	58.92
Breakup value / (Net assets/shares)	Rs	<b>51.57</b>	42.10	37.69	32.73	33.66	31.41
Earnings / (loss) per share (pre tax)	Rs	<b>14.66</b>	8.21	9.24	5.71	2.53	(1.69)
Earnings / (loss) per share (post tax)	Rs	<b>10.35</b>	5.80	6.25	3.66	1.76	(1.89)
Price earning ratio		<b>6.91 : 1</b>	5.37 : 1	10.15 : 1	26.80 : 1	29.57 : 1	(31.17) : 1
Market price to breakup value		<b>1.39 : 1</b>	0.74 : 1	1.68 : 1	3.00 : 1	1.55 : 1	1.88 : 1
Debt equity ratio		<b>28 : 72</b>	40 : 60	38 : 62	42 : 58	45 : 55	46 : 54
Weighted average cost of debt	%	<b>12.60</b>	9.59	6.67	6.14	7.20	10.03
Interest coverage ratio		<b>3.18 : 1</b>	2.63 : 1	4.11 : 1	3.22 : 1	2.23 : 1	0.69 : 1

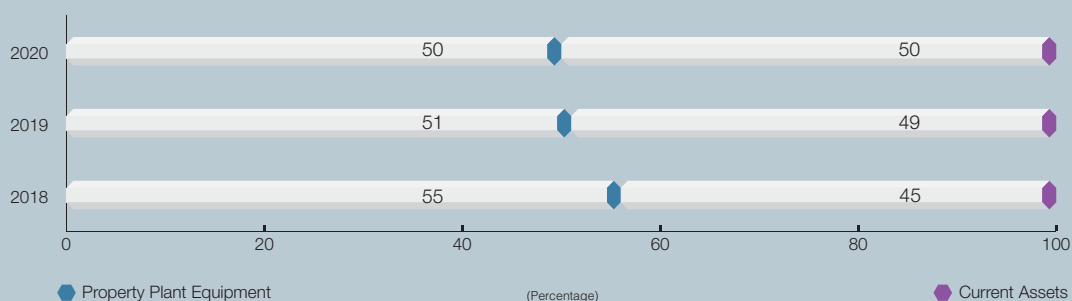




# HORIZONTAL ANALYSIS

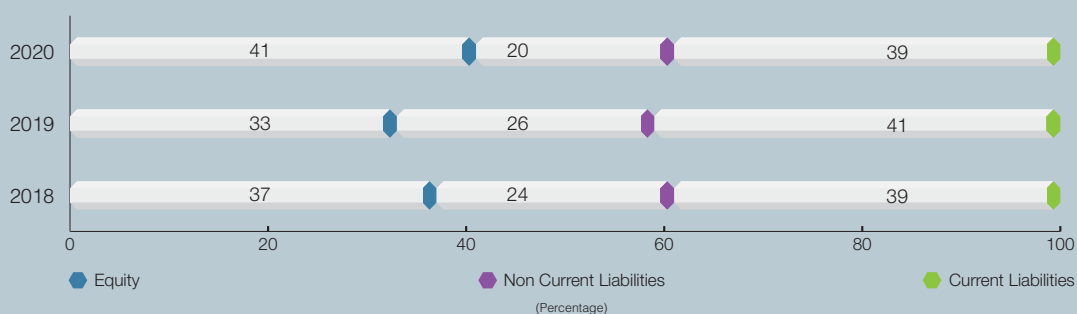
Rupees in million

Balance Sheet	2020 Amount	20 vs 19 %	2019 Amount	19 vs 18 %	2018 Amount	18 vs 17 %
<b>ASSETS</b>						
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment	9,162	100	9,131	100	9,122	97
Operating fixed assets	128	53	242	52	467	155
Capital work in progress	12	133	9	300	3	150
Intangible assets	11	183	6	40	15	300
Long-term loans and advances	7	100	7	117	6	150
Long-term deposits						
<b>CURRENT ASSETS</b>						
Stores and spares	1,764	121	1,459	113	1,290	95
Stock in trade	3,728	107	3,484	120	2,897	148
Trade debts	2,908	95	3,046	129	2,366	149
Loans and advances	102	106	96	139	69	986
Trade deposits and short-term prepayments	92	101	91	103	88	104
Other receivables	34	283	12	109	11	275
Tax refunds due from Government	272	106	257	98	262	115
Taxation-net	140	53	262	90	292	121
Cash and bank balances	237	67	352	85	416	184
<b>TOTAL ASSETS</b>	<b>18,597</b>		<b>18,454</b>		<b>17,304</b>	
<b>EQUITY AND LIABILITIES</b>						
<b>SHARE CAPITAL AND RESERVES</b>						
Issued, subscribed and paid-up capital	1,470	100	1,470	100	1,470	100
Ordinary shares	-	-	-	-	901	100
Preference shares	6,112	130	4,719	116	4,071	122
Reserves						
<b>NON-CURRENT LIABILITIES</b>						
Long-term financing	2,131	61	3,511	124	2,822	94
Lease liabilities	20	-	-	-	-	-
Deferred taxation	1,189	98	1,209	92	1,309	140
Deferred capital grant	19	-	-	-	-	-
GIDC payable	329	-	-	-	-	-
<b>CURRENT LIABILITIES</b>						
Trade and other payables	2,894	114	2,528	114	2,216	120
Interest and mark-up accrued	60	62	97	243	40	105
Short-term borrowings	3,617	85	4,247	124	3,427	121
Un-claimed dividend	1	76	1	130	1	-
Current portion of lease liabilities	3	-	-	-	-	-
Current portion of long-term financing	752	112	672	64	1,047	97
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>18,597</b>		<b>18,454</b>		<b>17,304</b>	



# VERTICAL ANALYSIS

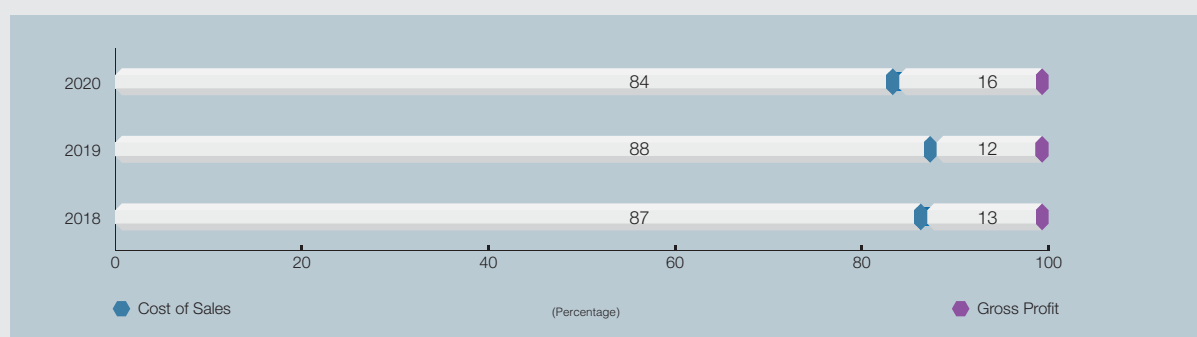
	2020		2019		Rupees in million 2018	
	Amount	%	Amount	%	Amount	%
<b>Balance Sheet</b>						
<b>ASSETS</b>						
<b>NON CURRENT ASSETS</b>						
Property, plant and equipment	9,162	49.27	9,131	49.48	9,122	52.72
Operating fixed assets	128	0.69	242	1.31	467	2.70
Capital work in progress	12	0.06	9	0.05	3	0.02
Intangible assets	11	0.06	6	0.03	15	0.09
Long-term loans and advances	7	0.04	7	0.04	6	0.03
Long-term deposits						
<b>CURRENT ASSETS</b>						
Stores and spares	1,763	9.48	1,459	7.90	1,290	7.45
Stock in trade	3,728	20.05	3,484	18.88	2,897	16.74
Trade debts	2,908	15.64	3,046	16.51	2,366	13.67
Loans and advances	102	0.55	96	0.52	69	0.40
Trade deposits and short-term prepayments	92	0.49	91	0.49	88	0.51
Other receivables	34	0.18	12	0.07	11	0.06
Tax refunds due from Government	272	1.46	257	1.39	262	1.51
Taxation-net	140	0.75	262	1.42	292	1.69
Cash and bank balances	237	1.27	352	1.91	416	2.40
<b>TOTAL ASSETS</b>	<b>18,597</b>	<b>100</b>	<b>18,454</b>	<b>100</b>	<b>17,304</b>	<b>100</b>
<b>EQUITY AND LIABILITIES</b>						
<b>SHARE CAPITAL AND RESERVES</b>						
Issued, subscribed and paid-up capital						
Ordinary shares	1,470	7.91	1,470	7.97	1,470	8.50
Preference shares	-	-	-	-	901	5.21
Reserves	6,112	32.87	4,719	25.57	4,071	23.53
<b>NON CURRENT LIABILITIES</b>						
Long-term financing	2,131	11.46	3,511	19.03	2,822	16.31
Lease liabilities	20	0.11	-	-	-	-
Deferred taxation	1,189	6.39	1,209	6.55	1,309	7.56
Deferred capital grant	19	0.10	-	-	-	-
GLDC payable	329	1.77	-	-	-	-
<b>CURRENT LIABILITIES</b>						
Trade and other payables	2,894	15.56	2,528	13.70	2,216	12.81
Interest and mark-up accrued	60	0.32	97	0.53	40	0.23
Short-term borrowings	3,617	19.45	4,247	23.01	3,427	19.80
Un-claimed dividend	1	0.01	1	0.01	1	-
Current portion of lease liabilities	3	0.02	-	-	-	-
Current portion of long-term financing	752	4.04	672	3.64	1,047	6.05
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>18,597</b>	<b>100</b>	<b>18,454</b>	<b>100</b>	<b>17,304</b>	<b>100</b>



# HORIZONTAL ANALYSIS

Rupees in million

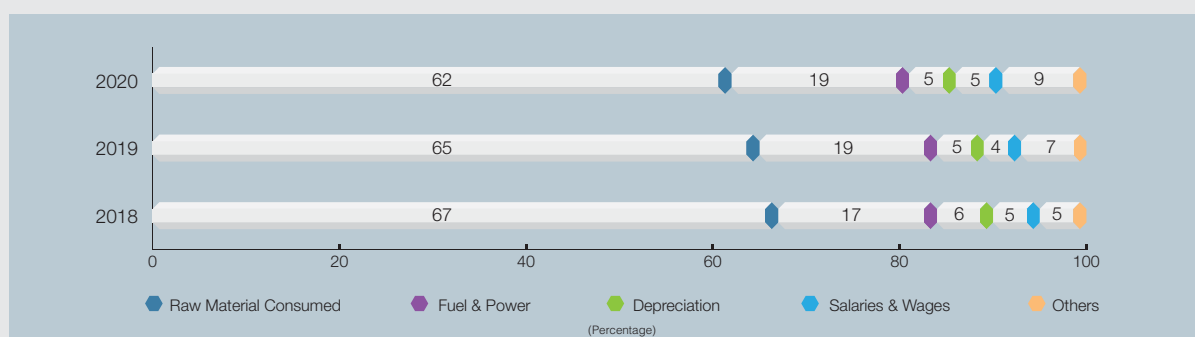
Statement of Profit or Loss	2020 Amount	20 vs 19 %	2019 Amount	19 vs 18 %	2018 Amount	18 vs 17 %
Sales – net	24,345	109	22,241	117	18,965	123
Cost of sales	(20,409)	104	(19,578)	119	(16,459)	121
Gross profit	3,936	148	2,663	106	2,506	140
General and administrative expenses	(537)	113	(474)	111	(426)	114
Selling and distribution expenses	(171)	112	(154)	119	(129)	112
Other operating income	103	112	92	123	75	66
Other operating charges	(188)	149	(126)	93	(135)	130
Operating profit	3,143	157	2,001	106	1,892	144
Finance cost	(987)	130	(762)	166	(460)	113
Net profit before taxation	2,156	174	1,239	87	1,431	158
Taxation	(634)	179	(355)	81	(439)	145
Net profit after taxation	1,522	172	884	89	992	165



# VERTICAL ANALYSIS

Rupees in million

Statement of Profit or Loss	2020		2019		2018	
	Amount	%	Amount	%	Amount	%
Sales – net	24,345	100.00	22,241	100.00	18,965	100.00
Cost of sales	(20,409)	83.83	(19,578)	88.03	(16,459)	86.79
Gross profit	3,936	16.17	2,663	11.97	2,506	13.21
General and administrative expenses	(537)	2.21	(474)	2.13	(426)	2.25
Selling and distribution expenses	(171)	0.70	(154)	0.69	(129)	0.68
Other operating income	103	0.42	92	0.41	75	0.40
Other operating charges	(188)	0.77	(126)	0.57	(135)	0.71
Operating profit	3,143	12.91	2,001	9.00	1,892	9.98
Finance cost	(987)	4.05	(762)	3.43	(460)	2.43
Net profit before taxation	2,156	8.86	1,239	5.57	1,431	7.55
Taxation	(634)	2.60	(355)	1.60	(439)	2.31
Net profit after taxation	1,522	6.25	884	3.97	992	5.23



# CHAIRMAN'S MESSAGE

During the year under review, It was encouraging to note that Government's stabilization measures resulted in considerable improvement in economic indicators and was leading to gradual recovery of economic growth. However, second half of the year brought a new set of challenges after emergence of COVID-19 disease which spread so quickly around the world that WHO declared it pandemic forcing the countries around the globe to take lockdown measures for containing its spread and save their population from consequence emerging out of it. Pakistan was no exception, Federal and Provincial Governments appropriately introduced lockdown and other safety measures which effectively restricted the spread of COVID-19 and minimized its impact on masses.

Due to lockdown, economic recovery underwent major setback pushing the overall economic growth to negative territory not only for the last quarter but also for the whole year. Nevertheless, Government deserves an applaud for its efforts to dampen the adverse impact of lockdown on masses and businesses by introducing economic stimulus package and host of measures taken by the State Bank of Pakistan ("SBP") including monetary easing and SBP refinance schemes. I believe the worst is over now and if Government sticks to its right policy decision, the path to recovery will be much swifter.

I am thankful to Allah Almighty for granting

courage and strength to management and workforce of your Company to ensure uninterrupted supply of its products to essential segments so that there wouldn't be any shortage of essential goods to the masses during the lockdown period. Moreover, management focused throughout year to achieve optimum levels of plant operations with best mix of energy. With immense satisfaction, I report that, with all these endeavors, your Company's topline (Gross Sales Value) crossed the landmark of Rs. 28 billion and year was closed under review with impressive bottom line.

I am pleased to inform you that this year the Board of Directors proposed 15% cash dividend (Rs. 1.5 per share) and 20% bonus issue (one share for every five shares) making total dividend payout to 34% (LY: 20%) of the profit after tax.

The Company's production facilities are operating at a satisfactory level, but BMR is essential, to not only maintain the level of their performance but also to improve it further. With this objective in mind, certain projects were completed and few other were conceived during the year. I am happy to inform you that now Company production facilities are capable to produce 10-15% more than their name-plate capacity. Keeping our long term plan to reduce the carbon footprint, the Company also added further capacity to Solar Panel power generation which now stands increased to 3.6 MW from

2 MW at the beginning of this year. Our mega expansion project in coated board segment is temporarily shelved because of prevailing economic indicators but I like to assure you that we will reinvigorate it again as soon as sustainable economic recovery is in sight.

It is the matter of great honor for me to disclose that your Company continued to fulfil its Corporate Social Responsibility and followed its convention to remain involved in the various community services. After the outbreak of COVID-19, Company immediately resorted to implementation of SOPs at its Mills and all other offices to ensure safe environment for its workers. All necessary Personnel Protective Equipment were provided to staff and adequate measures were taken to ensure social distancing. Work from home was encouraged and it is continuing to date wherever possible. Moreover, an organized effort was undertaken in the distribution of Food Hampers to underprivileged in surrounding communities and also in the distribution of the Medical Kits to Health Workers. Local administration has also played an outstanding role with us in this noble cause.

In addition to the above, your Company is continuously expanding the scope of its "Smart School" initiative to provide education to the non-school going children in vicinity of Mills with the collaboration of Institute of Rural Management. Employment opportunities to female workers from surrounding areas of the Mills are being provided by inducting them in the waste paper sorting process. Last but not the least, "Water for Nation" drive is successfully yielding water conservation through regular awareness programs for its

employees and surrounding communities.

Nationwide lockdown has already been lifted and the Government is focusing on smart lockdown and implementation of SOPs to contain spread of the disease. On the other hand, SBP measures effectively bailed out many businesses from the negative impact of lockdown. Economic Fundamentals are looking positive post lockdown leading the way for gradual economic recovery. There is a positive sign of uptick in overall demand in the economy for domestic consumption as well as for exports. Lower interest rates and systematic adjustment of currency will give room to businesses for better planning that ultimately will lead to broad based economic recovery. Your Company will be following dynamic strategy and is well poised to play its part in the economic recovery by not only meeting domestic demand but also successfully resumed export in regional markets. Henceforth, I can see bright prospects both for Country and as well as for your Company.

I am also extremely thankful to dedicated employees, valued customers, reliable bankers, esteemed shareholders and local administration for their contribution towards the better fortune of the Company.



**Iqbal Ali Lakhani**

Chairman

Dated: August 25, 2020

# DIRECTORS' REPORT

On behalf of the Board of Directors (BOD), I am pleased to present the Annual Report of Century Paper & Board Mills Limited (CPBM) for the year ended June 30th 2020, along with the audited Financial Statements and Auditors' Report thereon.

## BUSINESS PERFORMANCE REVIEW

The year under review began under the shadow of policy adjustments and structural reforms to rectify microeconomic imbalances. Owing to Government stabilization measures, trade and current account balances were improved during the course of the year creating prospects for gradual economic recovery. However, outbreak of COVID-19 pandemic in second half of the year and resultant lockdown measures adopted by the Government brought economic activity for most of the sectors to complete halt in last quarter of the year. Impact of lockdown was so profound that it pushed the overall economic growth to negative territory and contraction was witnessed in both industrial and service sectors.

Despite the contraction in industrial sector output, the Paper & paperboard sector managed some recovery in its market size after undergone contraction in previous year. The year was started with challenging environment where broad based curtailment in consumer demand was witnessed. However, after stability of Interest rates and inflation, improvement was witnessed in demand during the course of the year till the outbreak of COVID-19 pandemic in second half of the year, though, lockdown mainly impacted operations during last quarter of the year. Your Company, being in supply chain of essential industries played its part by meeting its delivery commitments for essential industries on priority basis so that their products remain available to masses in lockdown period.

Despite the turbulent times during the year, your Company has not only managed to sustain its market share in domestic market but also successfully explored avenues for exports in regional markets like Afghanistan and Middle East and resumed export business with moderate volumes. Initial feedback on export is encouraging and Company may expand its exports in due course. Company sold 215,648 metric tons during the year under review as against 216,771 metric tons in last year. Accordingly, production volumes stood at 226,505 metric tons as compared to last year volumes of 227,602 metric tons with resultant capacity utilization of 94% (L.Y. 95%).

In terms of value, the net sales of the Company registered growth of 9.46% which stood at Rs. 24.34 billion as compared to Rs. 22.24 billion of the last year. Included in it was export sales of Rs. 72.90 million.



# DIRECTORS' REPORT

## FINANCIAL PERFORMANCE ANALYSIS

Summarized financial performance is as follows:

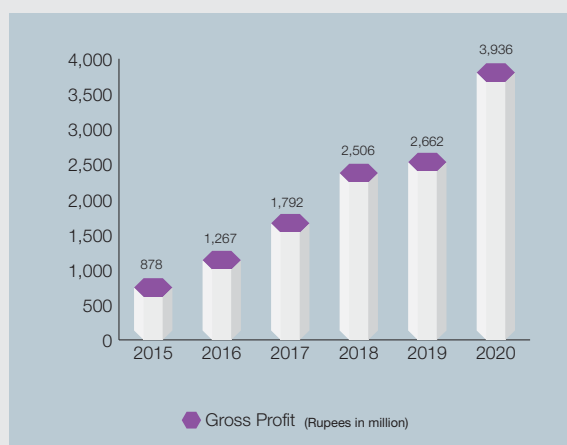
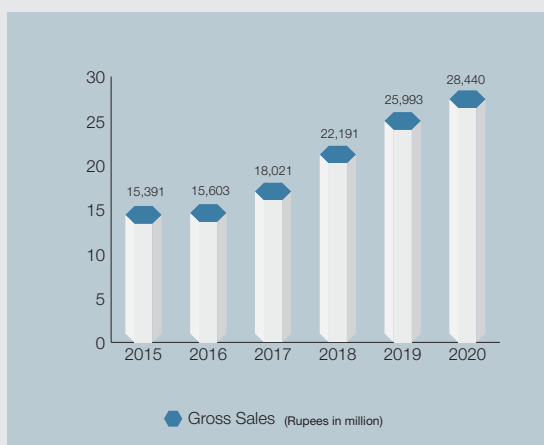
	Rupees in million		% Variance
	2020	2019	
Sales	24,345	22,241	9
Cost of Sales	(20,409)	(19,578)	4
<b>Gross profit</b>	<b>3,936</b>	2,663	48
Admin, Selling and other Expenses	(896)	(754)	19
Other Income	103	92	12
<b>Operating profit</b>	<b>3,143</b>	2,001	57
Financial Charges	(987)	(762)	30
<b>Net profit before tax</b>	<b>2,156</b>	1,239	74
Taxation	(634)	(355)	79
<b>Net profit after tax</b>	<b>1,522</b>	884	72

Gross Profit has registered an increase of 48% and stood at Rs. 3,936 million as compared to Gross Profit of Rs. 2,663 million during Last year.

Likewise operating profit (EBIT) also improved to Rs. 3,143 million in year under review as compared to last year figure of Rs. 2,001 million.

Your Company posted profit before tax (PBT) of Rs. 2,156 million while it was Rs. 1,239 million during last year. Profit after tax (PAT) stayed at Rs. 1,522 million as compared to Rs. 884 million during last year.

Summarized six years financial information is given on page 28 of the annual report.



# DIRECTORS' REPORT

## APPROPRIATION

The following is the summary of appropriations made during the year:

	Rupees in million
Total Comprehensive Income for the year	1,540.36
Unappropriated Profit brought forward	856.23
<b>Available for appropriation</b>	<b>2,396.59</b>
<b>Appropriation of Reserves</b>	
Transfer to general reserve	(600.00)
Transaction with Owners	
Final ordinary dividend for FY 2019 @ Rs.1.00 per share	(147.02)
<b>Total Appropriations</b>	<b>(747.02)</b>
<b>Balance carried forward</b>	<b>1,649.57</b>

For the Financial Year 2019-2020 Directors propose final dividend of 15% amounting to Rs. 220.53 million for its Ordinary Shareholders (2019: 10%). Moreover, Directors also propose issued of bonus shares in the proportion of one (1) share for every five (5) shares held (i.e. 20%) amounting to Rs. 294.04 million. Collectively, dividend payout for the year stands at 34% of after tax profits.

Director also propose a transfer of Rs. 1,000 million from Unappropriated Profits to General Reserve. After the proposed transfer, General Reserve balance will increase to Rs. 1,800 million.

## FINANCE COST

Finance cost of the Company increased to Rs. 987 million during the year under review from Rs. 762 million of last year. For most part of the year State Bank of Pakistan has continued with tightened monetary policy. Rates were peaked in the beginning of the year at 13.25% significantly elevating the interest rates. During that period, Company was able to rationalize the borrowing cost by using FE-25 and offshore borrowings at cheaper rates along with gradual reduction in utilization of short term borrowings.

Post COVID-19, State Bank of Pakistan has proactively taken different measures to support the businesses to ensure their liquidity. Those measures included SBP Refinance scheme for Wages & Salary, Temporary Economic Refinance Facility for BMR and substantial reduction in policy rate from pre-COVID-19 level of 13.25% to 7% toward the year end. All these measures augur well for businesses as well as for the Company and its effective finance cost started following downward trajectory from last quarter of the year.

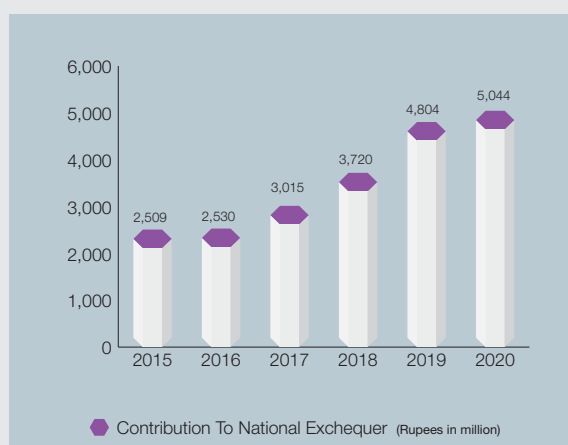
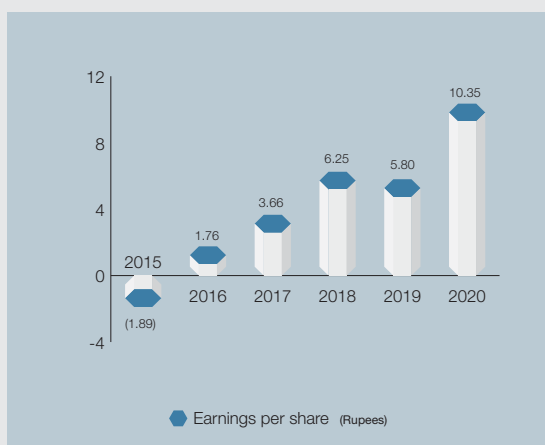
# DIRECTORS' REPORT

## EARNINGS PER SHARE

Profit attributable to the ordinary shareholders stood at Rs. 1,521.77 million (L.Y. Rs. 852.57 million). On this basis, the earnings per share for the year is worked out at Rs. 10.35 as compared to last year's earnings per share of Rs. 5.80. There was no impact of preference dividend for the year under review as preference shares were fully redeemed during the last year.

## CONTRIBUTION TO THE NATIONAL EXCHEQUER

Your Company's contribution to the National Exchequer for the year increased to Rs. 5,044 million as compared to Rs. 4,804 million of the last year on account of sales tax, income tax, import duties and statutory levies.



## CAPITAL EXPENDITURE

During the year, Company has made capital expenditure of Rs. 962 million (L.Y. Rs. 972 million). Company further added Solar Panels of 1.6 MW in its solar energy capacity with enhanced capacity now stood at 3.6 MW.

Moreover, Company has completed refurbishment of last of its four GTG Engines of Gas Based Cogeneration Plant during the year. Certain other projects were also undertaken to bring cost efficiencies, capacity and quality improvements. Owing to capital projects undertaken during last few years, your Company is poised to achieve more production in ensuring years.

# DIRECTORS' REPORT

## MARKET CAPITALIZATION

KSE 100 Index touching its bottom at 33,902 points at the end of the last year showed some improvement during the year under review and closed at 34,182 points as on June 30, 2020. Improved market sentiments positively impacted share price of the Company especially towards the end of the year under review. Share price touched the bottom of Rs. 23.75 in the first month of the financial year while, it has touched the peak at Rs. 75.99 in last month of the year. Closing share price stood at Rs. 71.57 per share at the current year end from Rs. 31.15 at the last year ended June 30, 2019. Accordingly market capitalization at close of the year has been more than doubled to Rs. 10,522 million than that of last year ended June 30, 2019 market capitalization of Rs. 4,580 million.

## RISK MITIGATION

The Board of Directors, Board's Audit Committee and Steering Committee comprising of senior management team led by the Chief Executive Officer of the Company are responsible for oversight of Company's operations and to evolve proactive strategy to mitigate any potential adverse impact of foreseen risks. The information about major risks and their mitigants is provided below:

## STRATEGIC RISK

Strategic risk relates to the Company's future business plans and strategies, including the risks associated with the macro-environment in which it operates like demand for its products, competitive threats, technology and product innovation etc.

The Company regularly keeps track on the changing market trends and seek feedback from the regular and prospective customers of the Company. The Company ensures that its products best suit its customers' current and future needs at the competitive prices with the finest quality as a measure to counter the competition and to retain and improve its market share.

## OPERATIONAL RISKS

Operational risk results in disruption of operations due to scarcity of material, energy outages and dearth of skilled human resource. To manage these risks, the Company has well diversified supplier base for domestic and imported material. Energy sufficiency is ensured through putting in place different power/steam generation facilities running on alternate fuels. Human Resource is developed through providing appropriate in-house and external training opportunities.

## FINANCIAL RISK

### Credit Risk

Credit risk relates to the risk that a Company may encounter as result of failure of the counter parties to satisfy their debts or obligation in accordance with the agreed terms of credit. All the financial assets of the Company have credit risk other than "Cash in Hand". Company has effectively managed the credit risk with a well devised credit policy in place, which is reviewed and approved by CEO / Board of Directors periodically with the internal guidelines and regulatory requirement.

### Liquidity Risk

Liquidity risk arises when the Company has insufficient ready cash and encounters difficulty in meeting its financial obligation. Liquidity risk is managed by ensuring availability of sufficient funds to meet its financial obligations and commitments in any business condition.

### Interest Rate Risk

Interest rate risk arises due to fluctuation in interest rate resulting in adverse future cash flows. Company's

# DIRECTORS' REPORT

exposure to interest rate is associated with the long-term loans and short-term borrowings. Company monitors interest rate fluctuation and counters interest rate risk by utilizing optimal mix of different types of borrowing arrangements.

## Foreign Exchange Risk

Company is not significantly exposed to foreign exchange risk on its import of raw material and plant and machinery to be settled in short term. For long-term contracts, Company enters into appropriate Hedge arrangement, wherever possible, to counter foreign exchange risk.

## CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence to safeguard its ability to continue as a going concern. The Company manages its capital structure and makes appropriate adjustments to move with the economic changes and the risk associated with the Company's asset. Company's management believes in maintaining appropriate debt equity ratio.

## CUSTOMER FOCUSING

Company believes that its valued customers are the foundation of its business success. Company policies are fully customers' focused. Liaison with the market and customers has always enabled your Company to best understand customer's needs to offer best suitable products and service level to make your Company the first choice.

## PROVIDENT AND GRATUITY FUNDS

The Company provides terminal benefits to its employees in the shape of provident fund and gratuity. These funded benefits are maintained by two separate duly approved trusts. These trusts are managed by the trustees who get the funds audited each year.

The Trustees of the respective funds have informed to the Company that the values of the investments of the two funds were as follows as on June 30, 2020:

	Rupees in million	
	2020	2019
Provident Fund	645.82	591.52
Gratuity Fund	578.79	465.12

## AUDITORS

The Auditors, BDO Ebrahim & Company is the retiring auditors of the Company and has offered 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. On the recommendation of the Board's Audit Committee, the Board of Directors proposed their re-appointment by the shareholders at the ensuing Annual General Meeting, as auditors of the Company for the year ending June 30, 2021.

# DIRECTORS' REPORT

## CORPORATE INFORMATION

### Composition of the Board

The board consists of seven male and one female director as per the following composition:

Independent Directors	2
Non-Executive Directors	5
Executive Director	1

Mr. Iqbal Ali Lakhani holds the position as Chairman of the Board. While, Mr. Aftab Ahmad is Chief Executive Officer of the Company.

### Board Meetings

Five meetings of the Board of Directors were held during the year ended June 30, 2020. Attendance by each Director was as under:

Name of Director	Meetings Attended
<b>Non-Executive Director</b>	
Mr. Iqbal Ali Lakhani (Chairman)	4
Mr. Amin Mohammed Lakhani	4
Ms. Anushka Lakhani	1
Mr. Tasleemuddin Ahmed Batlay	5
Mr. Shahid Ahmed Khan	4
<b>Independent Director</b>	
Mr. Kemal Shoaib	5
Engr. M. Abdul Jabbar	5
<b>Executive Director</b>	
Mr. Aftab Ahmad (CEO)	5

### Audit Committee

An Audit Committee was set up by the Board since the enforcement of the Code of Corporate Governance. During the year, an independent Director was its Chairman and two Non-Executives Directors were members. Four meetings of the Committee were held during the year ended June 30, 2020. Attendance by each Director was as under:

Name of Director	Meetings Attended
Mr. Kemal Shoaib (Chairman)	4
Mr. Amin Mohammed Lakhani	4
Mr. Tasleemuddin Ahmed Batlay	4

The terms of reference of the Audit Committee have been duly prescribed by the Board including those as specified in the Code of Corporate Governance. In addition the Audit Committee is free to ask for any information and explanation in order to satisfy itself regarding the financial statements and internal controls. The committee met at least once in a quarter to review the financial statements and any major judgmental 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 & Remuneration Committee

The Board in accordance with the Code of Corporate Governance has also constituted Human Resource and Remuneration Committee. It comprised of the following four Directors during the year:

Engr. M. Abdul Jabbar	Chairman
Mr. Amin Mohammed Lakhani	Member
Mr. Tasleemuddin Ahmed Batlay	Member
Mr. Aftab Ahmad	Member

# DIRECTORS' REPORT

One meeting of the committee was held during the year which was attended by all members. The terms of reference of the committee includes but not limited to those as mentioned in the Code of Corporate Governance.

## Director Remuneration

The remuneration of the Board members is approved by the Board itself. However, in accordance with the Code of Corporate Governance, it is ensured that no Director takes part in deciding his/her own remuneration. The Company does not pay remuneration to non-executive directors except fee for attending the meetings. Please refer note 43 of the Financial Statements for information on remuneration of Chief Executive Officer and Directors for the year ended June 30, 2020.

## CORPORATE AND FINANCIAL REPORTING

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

- The Financial Statements prepared by the management of the Company fairly present its state of affairs, the results of its operations, cash flows and changes in equity;
- 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 judgment;
- There are no doubts upon the Company's ability to continue as a going concern;
- There has been no material departure from the best practices of the Code of Corporate Governance, as detailed in the listing regulations of the stock exchange;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- International Financial Reporting Standards, as applicable in Pakistan and the requirements of Companies Act, 2017 have been followed in preparation of the financial statements; and any departure thereof has been adequately disclosed and explained;
- Summary of key operational and financial data for last six years is annexed in the annual report.
- Information about taxes and levies is given in the notes to and forming part of financial statements.

## RELATED PARTY TRANSACTIONS

In accordance with the relevant regulations, the Company has a Related Party Transactions Policy approved by the Board of Directors that governs the manner in which arm's length and non-arm's length related transactions are dealt with. All related party transactions carried out during the year are disclosed in note 44 of the Financial Statements.

## COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

## MATERIAL CHANGES

The honorable supreme court of Pakistan has decided the matter of Gas Infrastructure Development Cess in favor of the Government on August 13, 2020. The effect of this decision has been appropriately reflected in these financial statements.

Except for the decision of GIDC, no material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year and date of this report.

# CORPORATE SOCIAL RESPONSIBILITY

Your Company is committed to social and environmental cause of the society and believes in building strong bonds with all segments of society. To cement these bonds, welfare activities are carried out to uplift the communities with special emphasis on child education and clean drinking water in the surrounding areas. The Company provides education aids to needy children with special emphasis on the education of Out of School Children.

As for COVID-19, a comprehensive strategy by adhering to Industrial SOP is implemented. In this hour of need our commitment of supporting the communities is unwavering. An organized effort was launched in the distribution of Food Hampers by reaching out the needy segment and also distribution of the Medical Kits to Health Workers. Your Company is determined to ensure the safety of its employees and extend its help to surrounding communities during this pandemic and specifically earmarked an amount for COVID-19 related measures.

Your Company was also awarded Annual Corporate Social Responsibility Award 2020, in the appreciation of services and overall performance in “Community Affairs” in 9th Int’l Annual CSR Summit by Professional Network and Ethical Business Update.

Your Company is a part of Lakson Group of Companies. The philanthropic activities on behalf of Company are done by charitable arms of the group under the name of Hasanali & Gulbanoo Lakhani Foundation and Lakson Medical Trust.

A well-defined value system is in place in your Company. It is designed to ensure and inculcate the spirit of ethical behavior, develop commitment to excellence and adopt a customer’s focused and responsible sourcing approach. The Directors consider it as a long term investment in the collective development of your Company’s human resource in particular, and the society as a whole. Moreover, festivities like employee’s family fun fare, educational trips to historical places, summer camps for employee’s children and interdepartmental sports activities have become a regular feature of the Company.

## **CHILD EDUCATION INITIATIVE**

Your Company has initiated a Joint Venture (JV) with the Institute of Rural Management (IRM) established on the concept of one-room classroom in very poor communities. This initiative is focusing on such non-school going children who are involved in child labor by way of garbage collection etc. Parents are being provided Individual counseling about the importance and necessity of education. Encouraging results are being witnessed as participation and attendance of such children is very healthy indicating their desire to get education. Health checkups of students have also been performed.

A similar initiative was taken last year in the vicinity of Mill with the help of SMILE Foundation where Out of School Children were encouraged in joining Schools. This effort is also producing excellent results. It is being progressed further with the admissions of more Out of School Children.





# DIRECTORS' REPORT

## SAFETY, HEALTH, ENVIRONMENT AND QUALITY (SHEQ)

Your Company, with an excellence mindset, strives for continual improvement in all operations. The Company is not only certified for Integrated Management System (IMS) comprising of OH&S18001:2007, EMSISO14001:2015, and QMSISO 9001:2015 but also makes efforts to improve the triple bottom line relating to Economic, Social and Environment dimensions.

Sustainability has become an important focus in your Company as it makes rigorous efforts to meet the present needs without compromising the needs of future generations. The 17 Sustainable Development Goals (SDGs) set by UN, and adopted by the Government of Pakistan are practiced to improve health, education and environment. Moving forward from this level, Company aims to achieve FSC COC certification in the coming year as a commitment towards forest preservation.

Resource conservation has remained corporate concern in recent years and for this, your Company has focused in areas of Energy and Water efficiency. Through regular monitoring and best practices we have been able to achieve overall improvements in utilization of energy and water; leading to both sustainability and cleaner production practices. Company has started reusing the treated effluent water by partially replacing it against fresh water; thus saving underground water. The Company has also started utilizing renewable solar energy.

To advance further in resource conservation your Company has started utilizing consultancy services of International Finance Corporation (IFC), a complementary organization of The World Bank Group.

Being industry leader, your Company continues to excel as customer focused and ensures safer and environment-friendly operations, products and services. Qualifying in SEDEX audits against its 4 Pillar SEMETA standard is an evidence that your Company is an acceptable business partner for everyone.

Comprehensive risk assessment and related preventive measures are vigorously pursued to achieve zero accident and mitigate environmental impacts of the operations. Unfortunate accidents are thoroughly investigated with an aim of eliminating the root causes and avoidance of recurrence. Training sessions are regularly conducted for both employees and contractors to enhance the Safety and Environmental Awareness.

SHEQ framework is reviewed by the Company at regular intervals, followed by concrete steps for its improvement which includes the continuous monitoring of product quality, resource & energy consumption, gaseous emission from boilers & power plants and waste water disposal.

Following awards are proof that your Company's efforts are well recognized.

- Awarded for Annual Environment Excellence Award (AEEA) 2019 by National Forum for Environment & Health (NFEH);
- Awarded for Annual Fire Safety Award 2019 by Fire Protection Association of Pakistan (FPAP) and National Forum for Environment & Health (NFEH), and;
- Awarded with Sustainability Initiative Award 2020 by National Forum for Environment & Health (NFEH)

The Company was nominated for Eleventh Annual PPI Water Efficiency Award 2020 in recognition of its remarkable reduction of water use through dedication of team, engineering solutions and best practices. PPI Awards are the only global awards dedicated to recognizing the achievements of companies, mills and individuals in the pulp and paper sector.

## PATTERN OF SHAREHOLDING

Pattern of Shareholding of the Company as at June 30, 2020, along with the necessary information is annexed to this report. There were 1,916 shareholders on the record of the Company as at June 30, 2020. There was no purchase / sales of shares by Directors / Company Secretary / Chief Financial Officer / Executives and their minor children during the year except Chief Executive Officer who purchased 37,000 shares of the Company.

The Board has determined the threshold in respect of trading of Company's shares by executives and employees of the Company belonging to the cadre of manager and above irrespective of his/her salary.

# DIRECTORS' REPORT

## HUMAN RESOURCE

Our Company endeavors to make the best use of its Human Capital base. It has a broad and interactive approach towards its employees. Our core value system comprises of Humility & Compassion, Integrity, Change, Innovation, Continuous Improvement Mindset, Team Work, Sense of Urgency, and Customer Centric approach. This helps in cultivating individual employees by shaping them in an organized infrastructure, and transforming their creativities into professional excellence.

We prioritize our employees' professional growth and development. Appropriate career paths and internal recognition programs are in place for 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 trainings.

Systems are in place for all Human Resource functions, including recruitment, talent management, performance management, compensation and benefits, training and development, and employee engagement. We are now working on digitalizing HR end-to-end, according to global standards. Smooth systems clubbed with competitive compensation and benefits attract our employees and keep them engaged.

## EMPLOYEE RELATIONS

The cordial relationship between the management and the employees, remain as good as they have been for the last many years. The pleasant relationship is also reflected in our employee turnover rate, which is very low, whether compared to our sector or across other sectors.

## OUTLOOK FOR THE YEAR 2021

Gradual lifting of lockdown restriction worldwide and in Pakistan as well coupled with economic Stimulus measures introduced by the Government in collaboration with the State Bank of Pakistan to support businesses in these challenging times are expected to bode well for recovery of economic growth leading to improved demand for industrial output.

Director of your Company are pleased to inform you that with continuous innovation and upgradation of processes, cushion is now available in its existing production facilities to produce more enabling the Company to improve its business volumes and market share in improved market size. Demand for Company's product is stable and there is strong likelihood of improvement in business volumes and market share. Management is following the strategy of volume maximization and cost minimization with appropriate adjustment in selling prices wherever necessary to ensure sustainable financial performance of the Company.

## ACKNOWLEDGEMENT

The Directors are pleased to place on record the appreciation for all the financial institutions. They also wish to acknowledge the devotion to duty by the employees of all cadres and are appreciative of their support and dedication. They are also thankful to all the other stakeholders and fully acknowledge their contribution and commitment.

On Behalf of the Board of Directors



**Aftab Ahmad**  
Chief Executive Officer



**Tasleemuddin Ahmed Batlay**  
Director


Karachi: August 25, 2020


پیداواری سہولیات میں پیداوار کی شرح بہتر کی گئی ہے تاکہ کمپنی اپنا کاروباری حجم اور مارکیٹ شیئر بہتر بنانے کے قابل ہو سکے۔ کمپنی کی مصنوعات کی مانگ مستحکم ہے اور کاروباری حجم اور مارکیٹ شیئر میں بہتری کا قوی امکان ہے۔ انتظامیہ کمپنی کی پائیدار مالی کارکردگی کو یقینی بنانے کے لئے جہاں بھی ضروری ہو قیمت فروخت میں مناسب ایڈجسٹمنٹ کے ساتھ زیادہ سے زیادہ حجم اور لاگت میں تخفیف کی حکمت عملی پر عمل پیرا ہے۔

## اعتراف

ڈائریکٹرز تمام مالیاتی اداروں کے لیے اپنے ستائش بھرے جذبات کا اظہار کرتے ہوئے بڑی خوشی محسوس کر رہے ہیں۔ وہ ہر شعبے کے ملازم کی اپنے کام سے لگن کا اعتراف کرتے ہیں اور ان کے تعاون اور ادارے کے ساتھ خلوص کو سراہتے ہیں۔ وہ کمپنی سے منسلک دیگر اسٹیک ہولڈرز کے بھی شکرگزار ہیں اور ان کی پُر خلوص شراکت و معاونت کا بھی اعتراف کرتے ہیں۔

بورڈ کی جانب سے

  
تسلیم الدین احمد باٹلے  
ڈائریکٹر

  
آفتاب احمد  
چیف ایگزیکٹو آفیسر

کراچی: اگست ۲۵، ۲۰۲۰

خواہش کی بہت صحت مندانہ نشاندہی کرتی ہے۔ طلبا کا ہیلتھ چیک اپ بھی کرایا گیا ہے۔

اسی طرح کا ایک اقدام پچھلے سال سائل فاؤنڈیشن کے تعاون سے مل کی حدود میں اٹھایا گیا تھا۔ اس کوشش کے بھی بہترین نتائج برآمد ہو رہے ہیں۔ اسکول نہ جانے والے مزید بچوں کے لئے تعلیم کا بندوبست کیا جا رہا ہے۔

## افرادى قوت

آپ کی کمپنی اپنی افرادی قوت کا بہترین استعمال کرنے کے لیے کوشاں رہتی ہے۔ اس نے اپنے ملازمین کے لیے ان کی ضرورتوں اور رائے کو اہمیت دیتے ہوئے ایک وسیع اور مربوط طریقہ کار اختیار کیا ہوا ہے۔

کمپنی کی بنیادی اقدار اکساری، ہمدردی، دیانت، تبدیلی، جدت، مسلسل بہتری کا رجحان رکھنے والے ذہن، ٹیم ورک، فوری ضرورت کی پہچان اور کسٹمر کو اولین فوقیت دینے پر مبنی ہے۔ انہی اقدار کی بدولت ہر ملازم کو ایک منظم ادارے میں آگے بڑھنے اور اپنی تخلیقی صلاحیتوں کو پیشہ ورانہ مہارتوں میں ڈھالنے کا موقع ملتا ہے۔

ٹیکنیکل اور مینجمنٹ اسٹاف کے لیے کیریئر کے موزوں راستے اور حوصلہ افزائی کے پروگرامز ہیں۔ ان پروگرامز میں ملازمت کے دوران ٹریننگ، سبجیکٹ اسپیشلسٹس کے ذریعے صلاحیتوں کو نکھارنے والے پروگرامز سے لے کر مقامی اور بین الاقوامی سیمینارز اور ٹریننگز شامل ہیں۔

انسانی وسائل کے تمام امور کے لئے نظام موجود ہیں، جن میں بھرتی، ٹیلنٹ مینجمنٹ، پرفارمنس مینجمنٹ، معاوضہ اور فوائد، تربیت اور ترقی، اور ملازمین کی شمولیت شامل ہیں۔ اب ہم ایچ آر کی عالمی معیارات کے مطابق اینڈ ٹو اینڈ ڈیجیٹلائزنگ پر کام کر رہے ہیں۔ مسابقتی معاوضے اور فوائد کے ساتھ منسلک ہموار نظام ہمارے ملازمین کو راغب کرتے ہیں اور ان کو مشغول رکھتے ہیں۔

## ملازمین سے تعلقات

ملازمین اور مینجمنٹ کے درمیان برس با برس سے پُر خلوص تعلقات قائم ہیں۔ یہ خوشگوار تعلقات ہمارے ملازمین کی تبدیلی ملازمت کی شرح میں بھی جھلکتے ہیں جو ہمارے شعبے یا کسی بھی دوسرے شعبے کے مقابلے میں بہت کم ہے۔

## سال کا 2021 منظر نامہ

ان کٹھن حالات میں کاروباری اداروں کی مدد کے لئے اسٹیٹ بینک پاکستان کے اشتراک سے حکومت کی طرف سے شروع کیے گئے معاشی محرک اقدامات کے ساتھ ساتھ دنیا بھر اور پاکستان میں لاک ڈاؤن کی پابندیاں بتدریج اٹھائے جانے سے، معاشی نمو کی بحالی کے عمل میں بہتری کی توقع کی جاتی ہے جس کے نتیجے میں صنعتی پیداوار کی مانگ میں بہتری واقع ہوگی۔

آپ کی کمپنی کے ڈائریکٹر آپ کو یہ بتانے میں خوش محسوس کرتے ہیں کہ مسلسل جدت طرازی اور عملی طریقوں کی اپ گریڈیشن کے ساتھ، اب اپنی موجودہ

## کاروباری سماجی ذمہ داری

مزید برآں آپ کی کمپنی سوسائٹی کے سماجی اور ماحولیاتی مقاصد کی تکمیل کے لیے بھی پر عزم ہے اور اس بات پر یقین رکھتی ہے کہ معاشرے کے تمام طبقات میں باہمی تعاون اور آپس میں مدد کے لیے مستحکم تعلقات استوار ہوں۔ ان رشتوں کو مضبوط کرنے کے لیے مختلف سماجی سرگرمیاں کی جاتی ہیں تاکہ اپنے اطراف کے علاقوں میں کمیونٹیز کے معیار زندگی کو بلند کیا جائے جس کے لیے بچوں کی تعلیم اور پینے کے صاف پانی کی فراہمی پر خاص طور پر توجہ دی جاتی ہے۔ کمپنی اسکول سے باہر بچوں کی تعلیم پر خصوصی زور دینے کے ساتھ ضرورت مند بچوں کو تعلیم میں معاون ایشیا فراہم کرتی ہے۔

جہاں تک کووڈ-19 کا تعلق ہے، صنعتی ایس او پی کی پاسداری کر کے ایک جامع حکمت عملی کا اطلاق کیا گیا ہے۔ ضرورت کی اس گھڑی میں ہمارا کمیونٹیز کی معاونت کرنے کا عزم مستحکم ہے۔ ضرورت مند طبقے تک پہنچ کر نوڈ ہیپرس کی تقسیم اور ہیلتھ ورکنز کے کیلئے میڈیکل کٹس کی تقسیم کے ذریعے ایک مستحکم کوشش کا آغاز کیا گیا۔ کمپنی، اس وبا کے دوران ملازمین کی صحت اور مل کے اطراف والے ضرورت مند افراد کی مدد کے لئے کوشاں رہے گی اور اس کے لئے ایک مناسب رقم بھی مختص کی گئی ہے

آپ کی کمپنی کو پروفیشنل نیٹ ورک اینڈ ایتھنیکل بزنس اپ ڈیٹ کی طرف سے 9 ویں انٹرنیشنل سالانسی ایس آر سٹ (CSR) میں خدمات کی تعریف اور ”کمیونٹی افیئرز“ میں مجموعی کارکردگی کی بدولت سالانہ کارپوریٹ سوشل رسپانسیبیلٹی ایوارڈ 2020 سے بھی نوازا گیا۔

آپ کی کمپنی لیکن گروپ آف کمپنیز کا حصہ ہے۔ کمپنی کی جانب سے کی جانے والی رفاہی سرگرمیاں، گروپ کے خیراتی و فلاحی شعبے کے تحت کام کرنے والی حسن علی اینڈ گل بانولا کھانی فاؤنڈیشن اور لیکن میڈیکل ٹرسٹ کے نام سے قائم ادارے سرانجام دیتے ہیں۔

کمپنی میں سماجی اور اچھے اخلاقی رویوں کے فروغ کے لیے اقدار کا ایک واضح نظام نافذ کیا گیا ہے، تاکہ بہتر اخلاقی برتاؤ کا جذبہ، مہارت میں اضافے اور استعمال کی لگن اور کسٹمر کی خدمت کے حوالے مثبت سوچ جیسے عوامل ہمیشہ ذہن نشین رہیں۔ اس اقدام کو ڈائریکٹرز خاص طور پر سنچری پیپرز کے ہیومن ریسورس کی مجموعی اور پوری سوسائٹی کی ترقی کے لیے ایک طویل مدتی سرمایہ کاری سمجھتے ہیں۔ ساتھ ہی تفریحی سرگرمیاں جیسے ملازمین کی فیملیز کے لیے فن فیئر، تاریخی مقامات پر تعلیمی دورے، ملازمین کے بچوں کے لیے سمر کیمپس اور ڈیپارٹمنٹس کے درمیان کھیلوں کی سرگرمیاں مستقل بنیادوں پر کمپنی کا خاصہ بن گئی ہیں۔

## بچوں کی تعلیم سے متعلق اقدامات

ہم نے انسٹی ٹیوٹ آف رورل مینجمنٹ (IRM) کے ساتھ ایک جوائنٹ وینچر کا آغاز کیا ہے جس کے تحت انتہائی غریب آبادیوں میں ایک کمرے والے کلاس روم کے نظریے پر اسکول قائم کئے جا رہے ہیں۔ اس اقدام کے ذریعے ایسے اسکول نہ جانے والے بچوں کو توجہ کا مرکز بنایا گیا ہے جو چائلڈ لیبر کا نشانہ بنے ہوئے ہیں۔ والدین کو تعلیم کی اہمیت اور ضرورت کے بارے انفرادی مشاورت فراہم کی جا رہی ہے۔ یہ مشاورتی نشستیں تعلیم کی جانب ان کا جھکاؤ بڑھانے میں کارآمد ثابت ہو رہی ہیں۔ اب تک کے نتائج نہایت حوصلہ افزا ہیں ایسے بچوں کی شمولیت اور حاضری ان کی تعلیم حاصل کرنے کی

مستقل نگرانی اور بہترین طریق کار کے ذریعے ہم توانائی اور پانی کے استعمال میں مجموعی طور پر بہتری لانے میں کامیاب رہے ہیں جو پائیداری اور زیادہ صفائی والے پیداواری طریقوں کا باعث بنا ہے۔ کمپنی نے جزوی طور پر تازہ پانی کی جگہ صاف شدہ پانی کا استعمال کرنا شروع کیا ہے اور اس طرح زیر زمین پانی کی بچت کی جارہی ہے۔ کمپنی نے قابل تجدید سٹیمی توانائی کا استعمال بھی شروع کر دیا ہے۔

وسائل کے تحفظ میں مزید پیشرفت کے لئے آپ کی کمپنی نے ورلڈ بینک گروپ کی ایک معاون تنظیم، انٹرنیشنل فائننس کارپوریشن (IFC) کی مشاورتی خدمات کا استعمال شروع کر دیا ہے۔

انڈسٹری لیڈر ہونے کے ناطے، آپ کی کمپنی صارفین پر توجہ مرکوز رکھنے والے ادارے کی حیثیت سے بدستور بہترین کارکردگی کا مظاہرہ کر رہی ہے اور محفوظ اور ماحول دوست کاروباری سرگرمیوں، مصنوعات اور خدمات کو یقینی بناتی ہے۔ اس کے 4 ستونوں والے SEMETA معیار کے مقابل SEDEX آڈٹ میں کو ایلفائی کرنا اس بات کا ثبوت ہے کہ آپ کی کمپنی ہر ایک کے لئے قابل قبول برنس پارٹنر ہے۔

زیر و ایکسیڈنٹ کے حصول اور کاروباری سرگرمیوں کے ماحولیاتی اثرات کو کم کرنے کے لئے رسک کے جامع جائزہ اور متعلقہ حفاظتی تدابیر کی سرگرمی سے پیروی کی جارہی ہے۔ ناگہانی حادثات کی اصل وجوہات کو ختم کرنے اور ان کے دوبارہ رونما ہونے سے بچنے کے مقصد کے ساتھ ان کی پوری طرح سے تفتیش کی جاتی ہے۔ سلامتی اور ماحولیاتی آگاہی کو بڑھانے کے لئے ملازمین اور ٹھیکیداروں، دونوں کے لئے باقاعدگی سے ٹریننگ سیشن منعقد کئے جاتے ہیں۔

کمپنی SHEQ فریم ورک کا بھی وقفے وقفے سے متواتر جائزہ لیتی رہتی ہے۔ جس میں پروڈکٹ کوالٹی، توانائی کے استعمال، بوائز سے گیسوں کا اخراج، پاور پلانٹ اور استعمال شدہ پانی کے اخراج کی مزید بہتری کے لئے ٹھوس اقدامات شامل ہیں۔

درج ذیل ایوارڈز اس بات کا ثبوت ہیں کہ آپ کی کمپنی کی کاوشوں کا بخوبی اعتراف کیا جا رہا ہے:

☆ نیشنل فورم فار انوائرنمنٹ اینڈ ہیلتھ (NFEH) کی طرف سے سالانہ انوائرنمنٹ ایکسیلینس ایوارڈ 2019 (AEEA) سے نوازا گیا۔

☆ فار پروفیکشن ایسوسی ایشن آف پاکستان (FPAP) اور نیشنل فورم فار انوائرنمنٹ اینڈ ہیلتھ (NFEH) کی طرف سے سالانہ فار سیفٹی ایوارڈ 2019 سے نوازا گیا۔

☆ نیشنل فورم فار انوائرنمنٹ اینڈ ہیلتھ (NFEH) کی طرف سے سسٹین ایبلٹی ایٹھٹیویٹی ایوارڈ 2020 سے نوازا گیا۔

کمپنی کی انجینئرنگ سولیوشنز اور بہترین طریقہ کار کے ذریعے پانی کے استعمال میں حیرت انگیز کمی کے اعتراف میں گیارہویں سالانہ PPI واٹر ایفیشینسی ایوارڈ 2020 کے لئے نامزد کیا گیا۔ PPI ایوارڈ ز پلپ اینڈ پیپر سیکٹر میں کمپنیز، ملز اور افراد کی کامیابیوں کے اعتراف کے لیے مختص واحد عالمی ایوارڈز ہیں۔

## کاروباری نظم و ضبط کے ضابطے (Code of Corporate Governance) کی تعمیل

کاروباری نظم و ضبط کے ضابطے کی تعمیل کا گوشوارہ رپورٹ کے ساتھ منسلک ہے۔

### نمایاں تبدیلیاں

عزت مآب سپریم کورٹ آف پاکستان نے گیس انفراسٹرکچر سیس کے کیس میں ۱۳ اگست ۲۰۲۰ کو حکومت کے حق میں فیصلہ دے دیا ہے۔ ان مالیاتی گوشواروں میں اس فیصلے کے اثرات کو مناسب طور پر شمار کیا گیا ہے۔ گیس انفراسٹرکچر سیس کے فیصلہ کے علاوہ 30 جون 2020 سے اس رپورٹ کی تاریخ اشاعت تک کوئی قابل ذکر تبدیلی رونما نہیں ہوئی اور اس مدت کے دوران کمپنی کسی ایسے معاہدے کا حصہ نہیں بنی جس سے کمپنی کی مالیاتی حیثیت پر کوئی اثرات مرتب ہوں۔

### پیژن آف شیئر ہولڈنگ

30 جون 2020 کے مطابق کمپنی کے شیئر ہولڈنگ پیژن اور بشمول اضافی معلومات کو ظاہر کرنے والا ایک گوشوارہ اس رپورٹ کے ساتھ منسلک ہے۔ 30 جون 2020 کے مطابق 1,916 شیئر ہولڈرز کمپنی کے ریکارڈ پر موجود تھے۔ ماسوائے چیف ایگزیکٹو آفیسر کی طرف سے کمپنی کے 37,000 شیئرز کی خریداری کے، ڈائریکٹرز کمپنی سیکرٹری/چیف فنانشل آفیسر/ایگزیکٹوز اور ان کے چھوٹے بچوں کی طرف سے سال کے دوران میں شیئرز کی کوئی خرید و فروخت نہیں کی گئی۔ بورڈ نے ایگزیکٹوز اور ملازمین کی طرف سے کمپنی کے شیئرز کے لین دین کے سلسلہ میں حد کا تعین کیا ہے جو کہ مینجرز اور اس سے اوپر کے عہدوں پر فائز ایگزیکٹوز اور ملازمین ہیں۔

### سیفٹی، ہیلتھ، انوائرنمنٹ اور کوالٹی (SHEQ)

آپ کی کمپنی درجہ کمال پانے کی سوچ کے ساتھ تمام کاروباری امور میں بہتری کے لئے کوشاں ہے۔ آپ کی کمپنی نہ صرف انٹیگریٹڈ مینجمنٹ سسٹم (IMS) کے OH&S 18001:2007، EMS ISO 14001:2015 اور QMS ISO 9001:2015 کے معیارات سے سرٹیفائیڈ ہے، بلکہ معاشی، سماجی اور ماحولیاتی، تینوں جہتوں میں بہتری لانے کے لیے بھی کوششیں کر رہی ہے۔

پائیدار سماجی بہبود آپ کی کمپنی میں اہم توجہ کا مرکز بن گئی ہے جیسا کہ وہ آئندہ نسلوں کی ضروریات پر سمجھوتہ کئے بغیر موجودہ ضروریات کو پورا کرنے کے لئے سخت کوششیں کرتی ہے۔ صحت، تعلیم اور ماحولیات کو بہتر بنانے کے لئے اقوام متحدہ کی طرف سے قائم کردہ 17 پائیدار ترقیاتی اہداف (SDGs) پر عمل کیا جاتا ہے، جو حکومت پاکستان کی طرف سے اپنائے گئے ہیں۔ اس سطح سے آگے بڑھتے ہوئے، جنگلات کے تحفظ کے عزم کے طور پر آنے والے سال میں FSC COC سرٹیفیکیشن حاصل کرنا کمپنی کا مقصد ہے۔

وسائل کا تحفظ حالیہ برسوں میں کمپنی کی توجہ کا مرکز بنا ہوا ہے اور اس کے لئے، آپ کی کمپنی نے توانائی اور پانی کی کفایت کے طریقوں پر توجہ دی ہے۔



ڈائریکٹر خود اپنے مشاہرے کا فیصلہ کرنے میں شریک نہ ہو۔ کمپنی اجلاسوں کے لئے فیس کے علاوہ نان ایگزیکٹو ڈائریکٹرز کو مشاہرے کی ادائیگی نہیں کرتی۔ 30 جون 2020 کو ختم ہونے والے سال کے لئے چیف ایگزیکٹو آفیسر اور ڈائریکٹرز کے مشاہرے سے متعلق معلومات کے لئے براہ کرم مالیاتی گوشواروں کا نوٹ 43 ملاحظہ کریں۔

### کارپوریٹ اور فنانسئل رپورٹنگ

آپ کی کمپنی کا روباری نظم و ضبط کے ضابطے کی تعمیل کے عہد پر کاربند ہے۔ بورڈ کارپوریٹ اور فنانسئل رپورٹنگ فریم ورک کے حوالے سے اپنی ذمہ داری کا اقرار کرتا ہے۔ ڈائریکٹرز تصدیق کرتے ہیں کہ:

- مالیاتی گوشوارے، بشمول کیش فلوز اور ایکویٹی میں تبدیلی، اس کے معاملات کی کیفیت اور اس کی کاروباری سرگرمیوں کی منصفانہ عکاسی کرتے ہیں۔
- کمپنی نے اپنے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- کمپنی نے مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی ہے اور شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- کمپنی کی کاروباروں دواں رکھنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- اسٹاک ایکسچینج کی لسٹنگ ریگولیشنز میں تفصیلاً درج کاروباری نظم و ضبط کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
- انٹرنل کنٹرول کا نظام مستحکم ہے اور اس کا موثر انداز میں نفاذ اور نگرانی کی جاتی ہے۔
- مالیاتی گوشواروں کی تیاری میں انٹرنیشنل فنانسئل رپورٹنگ اسٹینڈرڈز، جو پاکستان میں قابل اطلاق ہیں اور کمینیز ایکٹ 2017 کے تقاضوں کی پیروی کی گئی ہے اور ان سے کسی بھی انحراف کا مناسب انداز میں انکشاف اور وضاحت کی گئی ہے۔
- گزشتہ چھ سالوں کی کلیدی سرگرمیوں اور مالیاتی اعداد کا خلاصہ منسلک ہے۔
- ٹیکسوں اور محصولات کے بارے میں معلومات مالی گوشواروں کے نوٹس میں موجود ہے۔

### متعلقہ پارٹی لین دین

لاگو قواعد کے تحت کمپنی نے بورڈ آف ڈائریکٹرز سے منظور شدہ متعلقہ پارٹی لین دین کی پالیسی وضع کی ہے اور سال کے دوران واقعہ ہونے والے متعلقہ پارٹی لین دین کی تفصیلات مالیاتی گوشواروں کے نوٹ 44 میں درج کر دی گئی ہیں۔

## آڈٹ کمیٹی

بورڈ نے کاروباری نظم و ضبط کے ضابطے (Code of Corporate Governance) کے مطابق ایک آڈٹ کمیٹی تشکیل دی ہے۔ سال کے دوران ایک خود مختار ڈائریکٹرز اس کا چیئرمین اور دو نان ایگزیکٹو ڈائریکٹر ممبران تھے۔ 30 جون 2020 کو ختم ہونے والے سال کے دوران کمیٹی کے چار اجلاس منعقد ہوئے۔ ہر ڈائریکٹر کی حاضری حسب ذیل رہی:

ڈائریکٹر کا نام	اجلاسوں میں شرکت کی تعداد
جناب کمال شعیب (چیئرمین)	4
جناب امین محمد لاکھانی	4
جناب تسلیم الدین احمد باٹلے	4

آڈٹ کمیٹی کے قواعد و ضوابط بورڈ کی طرف سے کاروباری نظم و ضبط کے ضابطے کے مطابق طے کیے گئے ہیں۔ مزید برآں آڈٹ کمیٹی مالیاتی گوشواروں اور انٹرنل کنٹرول کے حوالے سے مطمئن ہونے کے لیے کوئی بھی معلومات یا وضاحت طلب کرنے کے لیے مجاز ہے۔ کمیٹی مالیاتی گوشواروں کا جائزہ لینے اور کمپنی کے کاروبار کے حوالے سے کوئی بڑا فیصلہ صادر کرنے کے لیے ہر سہ ماہی میں کم از کم ایک بار اجلاس منعقد کرتی ہے۔ آڈٹ کمیٹی، چیف ایگزیکٹو آفیسر اور چیف فنانس آفیسر سے توثیق شدہ مالیاتی گوشواروں کی منظوری کے لیے بورڈ کو اپنی سفارشات کرتی ہے۔

## افرادى وسائل و مشاہرہ کمیٹی

بورڈ نے کاروباری نظم و ضبط کے ضابطے کے مطابق افرادی وسائل و مشاہرہ کمیٹی بھی تشکیل دی تھی جو سال کے دوران درج ذیل چار ڈائریکٹرز پر مشتمل تھی:

انجنیئر ایم عبدالجبار	چیئرمین
جناب امین محمد لاکھانی	ممبر
جناب تسلیم الدین احمد باٹلے	ممبر
جناب آفتاب احمد	ممبر

سال کے دوران کمپنی کی ایک میٹنگ منعقد ہوئی جس میں تمام ڈائریکٹرز شریک ہوئے۔ کمیٹی کی ٹرمز آف ریفرنس کاروباری نظم و ضبط کے ضابطے کے مندرجات کی روشنی میں ترتیب دیے گئے ہیں۔

## بورڈ ممبران کا مشاہرہ

بورڈ ممبران کے مشاہرے کی منظوری خود بورڈ کی طرف سے کی جاتی ہے۔ تاہم کاروباری نظم و ضبط کے ضابطے کے مطابق یہ یقینی بنایا جاتا ہے کہ کوئی

## کارپوریٹ گورننس کے متعلق معلومات

### بورڈ کی ساخت

بورڈ درج ذیل ساخت کے مطابق سات حضرات اور ایک خاتون ڈائریکٹر پر مشتمل ہوتا ہے:

2	خود مختار ڈائریکٹرز
5	نان ایگزیکٹو ڈائریکٹرز
1	ایگزیکٹو ڈائریکٹر

جناب اقبال علی لاکھانی بورڈ کے چیئرمین کے عہدے پر فائز ہیں جب کہ جناب آفتاب احمد کمپنی کے چیف ایگزیکٹو آفیسر ہیں۔

### بورڈ کے اجلاس

30 جون 2020 کو ختم ہونے والے سال کے دوران بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے۔ ہر ڈائریکٹر کی حاضری حسب ذیل رہی:

ڈائریکٹر کا نام	اجلاسوں میں شرکت کی تعداد
نان ایگزیکٹو ڈائریکٹر	
جناب اقبال علی لاکھانی (چیئرمین)	4
جناب امین محمد لاکھانی	4
محترمہ نوشکا لاکھانی	1
جناب تسلیم الدین احمد باٹلے	5
جناب شاہد احمد خان	4
خود مختار ڈائریکٹر	
جناب کمال شعیب	5
انجنیئر ایم عبدالجبار	5
ایگزیکٹو ڈائریکٹر	
جناب آفتاب احمد (CEO)	5

## کسٹمر پر توجہ

کمپنی یقین رکھتی ہے کہ اس کے قابل قدر کسٹمرز اس کی کاروباری کامیابی کی بنیاد ہیں۔ کمپنی کی پالیسیوں میں کسٹمر پوری طرح توجہ کا مرکز ہے۔ مارکیٹ اور کسٹمر کے ساتھ مسلسل اشتراک نے آپ کی کمپنی کو ہمیشہ اپنے کسٹمر کی ضروریات بہتر انداز میں سمجھنے اور موزوں ترین مصنوعات اور کسٹمرز کی سطح پر خدمات پیش کرنے کے قابل بنایا ہے تاکہ آپ کی کمپنی کو انکی پہلی ترجیح بنایا جاسکے۔

## پروویڈنٹ اور گریجویٹ فنڈز

کمپنی اپنے ملازمین کو پروویڈنٹ فنڈ اور گریجویٹ فنڈ کی شکل میں پینشنس بھی فراہم کرتی ہے۔ یہ فنڈ ڈیفینٹس دو الگ الگ باضابطہ منظور شدہ ٹرسٹس میں رکھے جاتے ہیں۔ ان ٹرسٹس کا انتظام و انصرام ٹرسٹیز کے پاس ہوتا ہے جو ہر سال فنڈز کا آڈٹ کراتے ہیں۔

متعلقہ فنڈز کے ٹرسٹیز نے کمپنی کو مطلع کیا ہے کہ دو فنڈز کی طرف سے کی جانے والی سرمایہ کاری کی مالیت 30 جون 2020 کے مطابق درج ذیل ہے:

## ملین روپے

2019	2020	
591.52	645.82	پروویڈنٹ فنڈ
465.12	478.79	گریجویٹ فنڈ

## آڈیٹرز

میسرز BDO ابراہیم اینڈ کمپنی کے آڈیٹرز کمپنی سے بطور آڈیٹرز ریٹائر ہو رہے ہیں اور انہوں نے دوبارہ تقرری کے لیے اپنی خدمات پیش کی ہیں۔ انہوں نے تصدیق کی ہے کہ انہیں انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) کے کوالٹی کنٹرول ریویو پروگرام کے تحت اطمینان بخش ریٹنگ سے نوازا جا چکا ہے اور فرم ضابطہ اخلاق پرائنٹیشنل فیڈریشن آف اکاؤنٹنٹس (IFAC) کی ہدایات کی پوری طرح تعمیل کرتی ہے، جسے ICAP کی طرف سے اختیار کیا گیا ہے۔ بورڈ کی آڈٹ کمیٹی کی سفارش پر بورڈ آف ڈائریکٹرز نے آئندہ سالانہ اجلاس عام میں شیئر ہولڈرز کی طرف سے ان آڈیٹرز کی 30 جون 2021ء کو ختم ہونے والے سال کے لیے کمپنی کے آڈیٹرز کے طور پر دوبارہ تقرری کی تجویز پیش کی ہے۔

## مالیاتی خطرات

### کریڈٹ کے خطرات

کریڈٹ رسک کا تعلق ایسے خطرے سے ہے جو کمپنی کو مقابل فریقوں کی طرف سے کریڈٹ کی متفقہ شرائط کے مطابق اپنے قرضوں یا ذمہ داریوں کی تکمیل میں ناکامی کی صورت میں درپیش ہو سکتا ہے۔ ’زیرتحویل زرنقذ‘ کے سوا کمپنی کے تمام مالیاتی اثاثے کریڈٹ رسک کے حامل ہوتے ہیں۔ کمپنی کی موخر کریڈٹ پالیسی وضع کی گئی ہے جو کہ سی ای او/بورڈ آف ڈائریکٹرز سے منظور شدہ ہے اور اس کا داخلی ہدایات اور ریگولیٹری تقاضوں کے مطابق وقتاً فوقتاً جائزہ لیا جاتا ہے۔

### لیکویڈیٹی کے خطرات

لیکویڈیٹی کا خطرہ اس وقت پیدا ہوتا ہے جب کمپنی کے پاس کیش ناکافی ہو اور اسے اپنی مالیاتی ذمہ داریوں کی تکمیل میں مشکل کا سامنا کرنا پڑے۔ کسی بھی کاروباری صورت حال میں اپنی مالیاتی ذمہ داریوں اور وعدوں کی تکمیل کے لیے ضروری فنڈز کی دستیابی یقینی بنانے کے ذریعے لیکویڈیٹی رسک سے نمٹا جاتا ہے۔

### شرح سود کے خطرات

انٹرسٹ ریٹ رسک شرح سود میں اتار چڑھاؤ کی وجہ سے پیدا ہوتا ہے اور اس کا نتیجہ مستقبل میں کیش کی روانی پر منفی اثرات کی صورت میں سامنے آتا ہے۔ کمپنی کو درپیش شرح سود کا خطرہ طویل مدتی قرضوں اور مختصر مدتی قرضوں سے منسلک ہے۔ کمپنی شرح سود میں اتار چڑھاؤ پر نظر رکھتی ہے اور قرض کے انتظامات کی مختلف اقسام کے زیادہ سے زیادہ بہتر امتزاج کے ذریعے شرح سود میں تبدیلیوں کے اثر کا مقابلہ کرتی ہے۔

### غیر ملکی زرمبادلہ کے خطرات

کمپنی کو اپنے خام مال، پلانٹ اور مشینری کی درآمد پر، جن کی مختصر مدت میں ادائیگی کرنی ہو، کسی نمایاں زرمبادلہ کے خطرات کا سامنا نہیں ہے۔ طویل مدتی معاہدوں کے لیے کمپنی زرمبادلہ کے خطرات کا مقابلہ کرنے کے لیے جہاں تک ممکن ہے مناسب حفاظتی انتظامات کرتی ہے۔

### سرمائے کا انتظام و انصرام

مستحکم بنیادی سرمایہ برقرار رکھنا کمپنی کی پالیسی ہے تاکہ سرمایہ کار، قرض دینے والے اور مارکیٹ کا اعتماد برقرار رکھا جاسکے اور بطور ادارہ رواں دواں رہنے کی اہلیت کا تحفظ کیا جاسکے۔ کمپنی اپنے مالیاتی ڈھانچے کا انتظام و انصرام کرتی ہے اور اقتصادی تبدیلیوں اور کمپنی کے اثاثوں سے متعلق خطرات کو کم کرنے کے لیے مناسب ردوبدل کرتی ہے۔ کمپنی قرضوں اور سرمائے کا موزوں تناسب برقرار رکھنے پر یقین رکھتی ہے۔

## مجموعی بازاری مالیت (Market Capitalization)

KSE100 انڈیکس نے گزشتہ سال کے آخر میں اپنی پوائنٹس کی نچلی ترین سطح کو چھونے کے بعد زیر جائزہ سال کے دوران میں کچھ بہتری دکھائی اور 30 جون، 2020ء کو 34,182 پوائنٹس پر بند ہوا۔ مارکیٹ میں موجود مثبت رجحان میں سال کے آخر کی جانب کمپنی کے شیئرز کی قیمت پر مثبت اثر ڈالا۔ مالیاتی سال کے پہلے ماہ میں شیئرز کی قیمت نے 23.75 روپے کی چلی ترین سطح کو چھو لیا جبکہ اس سال کے آخری ماہ 75.99 روپے کی بلند ترین سطح کو چھو رہی تھی۔ 30 جون 2019ء کو ختم ہونے والے گزشتہ سال کے اختتام پر 31.15 روپے سے موجودہ سال کے اختتام پر شیئرز کی قیمت 71.57 روپے فی شیئر پر بند ہوئی۔ اسی کے مطابق سال کے اختتام پر مجموعی بازاری مالیت (Market Capitalization) 30 جون 2019 کو ختم ہونے والے گزشتہ سال کے 4,580 ملین روپے سے دگنا ہو کر 10,522 ملین روپے رہی۔

### خطرات کی تخفیف

بورڈ آف ڈائریکٹرز، بورڈ کی آڈٹ کمیٹی اور کمپنی کے چیف ایگزیکٹو آفیسر کی سربراہی میں سینئر مینجمنٹ ٹیم پر مشتمل اسٹیریٹجک کمیٹی کمپنی کے کاروباری امور کی نگرانی اور متوقع خطرات کے کسی ممکنہ منفی اثر کو کم کرنے کے لیے فعال حکمت عملی وضع کرنے کی ذمہ دار ہے۔ بڑے خطرات اور انہیں کم کرنے کے اقدامات کے بارے میں معلومات ذیل میں پیش کی گئی ہے۔

### اسٹریٹجک خطرات

اسٹریٹجک خطرات کمپنی کے مستقبل کے کاروباری منصوبوں اور حکمت عملی سے متعلق ہوتے ہیں بشمول اس مجموعی ماحول سے متعلق خطرات جس میں یہ کام کرتی ہے مثلاً اس کی مصنوعات کی طلب، مسابقتی خطرات، ٹیکنالوجی اور مصنوعات میں جدت وغیرہ۔

کمپنی مارکیٹ کے بدلتے ہوئے رجحانات پر باقاعدگی سے نظر رکھتی ہے اور کمپنی کے ریگولر اور ممکنہ کسٹمرز سے رائے طلب کرتی ہے۔ کمپنی مارکیٹ میں مقابلے کا سامنا کرنے کے لیے اور اپنا مارکیٹ شیئرز برقرار رکھنے اور بہتر بنانے کے لیے یقینی بناتی ہے کہ مصنوعات اعلیٰ ترین معیار کے ساتھ مناسب قیمتوں پر کسٹمرز کی موجودہ اور آئندہ ضروریات کو پورا کرتی ہوں۔

### آپریشنل خطرات

آپریشنل خطرات، خام مال کی قلت، بجلی کی بندش اور ماہر انسانی وسائل کے فقدان کے نتیجے میں آپریشنز کے تعطل کا نتیجہ ہو سکتے ہیں۔ ان خطرات پر قابو پانے کے لیے کمپنی مقامی اور درآمدی میٹریل کے لیے انتہائی متنوع سپلائرز میں کی حامل ہے۔ بجلی کی خود کفالت متبادل ایندھنوں پر چلنے والی مختلف پاور اسٹیم جنریشن فیسیلیٹیز کی تنصیب کے ذریعے یقینی بنائی جاتی ہے۔ انسانی وسائل کی تیاری تربیت کے مناسب اندرونی اور بیرونی مواقع کے ذریعے کی جاتی ہے۔

## مالیاتی اخراجات

زیر جائزہ سال کے دوران کمپنی کی مالیاتی لاگت پچھلے سال کے 762 ملین روپے سے بڑھ کر 987 ملین روپے ہو گئی۔ سال کے بیشتر حصے میں اسٹیٹ بینک آف پاکستان نے سخت مالیاتی پالیسی جاری رکھی۔ سال کے آغاز میں شرح سود 13.25 فیصد کی بلند ترین سطح تک بڑھادی گئی۔ اس مدت کے دوران کمپنی مختصر مدت کے قرضوں کے استعمال میں بتدریج کمی کے ساتھ سستے نرخوں پر ایف ای ۲۵ اور آف شور قرضوں کا استعمال کر کے مالیاتی لاگت کو معقول بنانے میں کامیاب رہی۔

کووڈ-۱۹ کے بعد اسٹیٹ بینک آف پاکستان نے کاروباری اداروں کی مدد کے لئے تیزی سے مختلف اقدامات اٹھائے تاکہ ان کی لیکویڈیٹی کو یقینی بنایا جاسکے۔ ان اقدامات میں اجرتوں اور تنخواہوں کے لئے اسٹیٹ بینک ری فنانس اسکیم، بی ایم آر کے لئے عارضی اکانامک ری فنانس فیسیلیٹی اور پالیسی ریٹ میں کووڈ-۱۹ سے پہلے کی 13.25 فیصد کی سطح سے سال کے اختتام تک 7 فیصد تک کمی شامل ہے۔ یہ سارے اقدامات کاروبار کے ساتھ ساتھ کمپنی کے لئے بھی بہتر ہیں اور اس کی موثر مالیاتی لاگت میں سال کی آخری سہ ماہی سے کم آنا شروع ہوئی ہے۔

## فی شیئر آمدنی

عام شیئر ہولڈرز کو منسوب منافع 1,521.77 ملین روپے رہا (گزشتہ سال 852.57 ملین روپے)۔ اس بنیاد پر گزشتہ سال کے 5.80 روپے فی شیئر کے مقابلے میں سال کے لیے فی شیئر آمدن 10.35 روپے شمار کی گئی۔ زیر جائزہ سال کے لئے ترجیحی ڈیویڈنڈ کا کوئی اثر مرتب نہیں ہوا جیسا کہ گزشتہ سال کے دوران میں ترجیحی شیئرز کی مکمل ادائیگی کر دی گئی تھی۔

## قومی خزانے میں حصہ

آپ کی کمپنی کے قومی خزانے میں جمع کردہ حصے کی مالیت میں گزشتہ سال کے 4,804 ملین روپے کے مقابلے میں 5,044 ملین روپے تک اضافہ ہوا۔

## غیر منقولہ اثاثوں پر صرف سرمایہ

اس سال کے دوران کمپنی نے غیر منقولہ اثاثوں پر 962 ملین روپے سرمایہ خرچ کیا (گزشتہ سال 972 ملین روپے)۔ کمپنی کی طرف سے اپنی سٹشی توانائی کی پیداوار کی گنجائش میں 1.6 میگا واٹ کا اضافہ کیا گیا جس سے اس کی سٹشی توانائی کی پیداوار کی مجموعی گنجائش 3.6 میگا واٹ ہو گئی۔ اس کے علاوہ آپ کی کمپنی نے سال کے دوران گیس پرمیٹی کو جنریشن پاور پلانٹ کے آخری GTG انجن کی ریفریشمنٹ بھی مکمل کر لی ہے۔

لاگتوں میں کفایت، گنجائش اور معیار میں بہتری لانے کے لئے کچھ دوسرے منصوبے بھی شروع کیے گئے تھے۔ پچھلے کچھ سالوں کے دوران کئے گئے غیر منقولہ اثاثوں پر صرف سرمایہ کے بڑے منصوبوں کی بدولت آپ کی کمپنی آئندہ سالوں میں زیادہ پیداوار حاصل کرنے کے لئے تیار ہے۔

## تخصیص (Appropriation)

سال کے دوران کی جانے والی سرمایے کی تخصیص کا خلاصہ درج ذیل ہے:

ملین روپے	
1,540.36	سال کے لیے مجموعی جامع آمدنی
856.23	گزشتہ غیر مختص شدہ منافع
<b>2,396.59</b>	<b>تخصیص کے لیے دستیاب رقم</b>
	ذخائر کی تخصیص
(600.00)	عام ذخائر کو منتقلی
	مالکان کے ساتھ لین دین
(147.02)	مالی سال 2019 کے لئے حتمی عمومی ڈیویڈنڈ بحساب 1.00 روپیہ فی شیئر
<b>(747.02)</b>	<b>مجموعی تخصیص</b>
<b>1,649.57</b>	<b>موجودہ بیلنس</b>

ڈائریکٹرز نے عمومی شیئر ہولڈرز کے لئے 15 فیصد (گزشتہ سال 7.5 فیصد) حتمی کیش ڈیویڈنڈ کا اعلان کیا ہے جو کہ 220.53 ملین روپے بنتا ہے۔ مزید برآء ڈائریکٹرز نے 5 شیئرز پر 1 شیئر کے تناسب (20 فیصد) سے بونس شیئرز کا بھی اعلان کیا ہے جو کہ 294.04 ملین روپے بنتا ہے۔ مجموعی طور پر اس سال کا ڈیویڈنڈ، منافع بعد از ٹیکس کا 34% بنتا ہے۔ بونس شیئرز کی تخصیص کیپٹل ریمیڈیمپشن ریزرو فنڈ سے ہوگی۔

ڈائریکٹرز نے 1,000 ملین روپے غیر مختص شدہ منافع سے عمومی ذخیرہ میں منتقل کرنے کا بھی ارادہ کیا ہے۔ اس منتقلی کے بعد عمومی ذخیرہ کا بیلنس 1,800 ملین روپے ہو جائے گا۔



## مالیاتی کارکردگی کا تجزیہ

مالیاتی کارکردگی کا خلاصہ درج ذیل ہے:

%	ملین روپے		
	2019	2020	
9%	22,241	24,345	سیلز
4%	(19,578)	(20,409)	سیلز کی لاگت
<b>48%</b>	<b>2,663</b>	<b>3,936</b>	<b>کل منافع</b>
19%	(754)	(896)	انتظامی، فروخت اور دیگر مدوں میں اخراجات
12%	92	103	دیگر آمدن
<b>57%</b>	<b>2,001</b>	<b>3,143</b>	<b>آپریٹنگ منافع</b>
30%	(762)	(987)	مالیاتی اخراجات
<b>74%</b>	<b>1,239</b>	<b>2,156</b>	<b>خالص قبل از ٹیکس منافع</b>
79%	(355)	(634)	ٹیکس
<b>72%</b>	<b>884</b>	<b>1,522</b>	<b>خالص بعد از ٹیکس منافع</b>

کمپنی نے مجموعی منافع میں 48 فیصد اضافہ درج کرایا اور گزشتہ سال کے دوران 2,663 ملین روپے کے مجموعی منافع کے مقابلے میں 3,936 ملین روپے رہا۔

اسی طرح آپریٹنگ منافع (EBIT) میں بھی گزشتہ سال کے اعداد و شمار 2,001 ملین روپے کے مقابلے میں زیر جائزہ سال کے دوران میں 3,142 ملین روپے تک بہتری ہوئی۔

آپ کی کمپنی نے 2,156 ملین روپے قبل از ٹیکس منافع (PBT) درج کرایا جو کہ گزشتہ سال کے دوران میں 1,239 ملین روپے تھا۔ بعد از ٹیکس منافع (PAT) گزشتہ سال کے دوران میں 884 ملین روپے کے مقابلے میں 1,522 ملین روپے رہا۔

چھ سالہ مالیاتی معلومات کا خلاصہ سالانہ رپورٹ کے صفحہ 28 پر دیا گیا ہے۔

## ڈائریکٹرز رپورٹ

بورڈ آف ڈائریکٹرز (BOD) کی طرف سے 30 جون 2020ء کو ختم ہونے والے سال کے لیے سنجھی پیپر اینڈ بورڈ ملز لمیٹڈ (CPBM) کی سالانہ رپورٹ مع آڈٹ شدہ مالیاتی گوشوارے اور آڈیٹرز رپورٹ پیش کرنا میرے لیے باعث مسرت ہے۔

### کاروباری کارکردگی کا جائزہ

زیر جائزہ سال اقتصادی عدم توازن کی اصلاح کے لئے پالیسی میں ایڈجسٹمنٹس اور ساختی اصلاحات کے سائے میں شروع ہوا۔ حکومت کے استحکامی اقدامات کی وجہ سے سال کے دوران تجارت اور کرنٹ اکاؤنٹ بیلنس میں بہتری لائی گئی جس سے آہستہ آہستہ معاشی بحالی کے امکانات پیدا ہوئے۔ تاہم سال کے دوسرے نصف حصے میں کووڈ-۱۹ عالمی وبا کا پھیلنا اور اس کے نتیجے میں حکومت کی طرف سے اختیار کئے گئے لاک ڈاؤن کے اقدامات کے نتیجے میں سال کی آخری سہ ماہی میں بیشتر شعبوں میں معاشی سرگرمی مکمل طور پر رک گئی۔ لاک ڈاؤن کے اثرات اس قدر گہرے تھے کہ انہوں نے مجموعی معاشی نمو کو منفی حد کی طرف دھکیل دیا اور صنعت اور خدمات دونوں شعبوں میں تخفیف دیکھی گئی۔

صنعتی شعبے کی پیداوار میں تخفیف کے باوجود پیپر اور پیپر بورڈ کے شعبے میں پچھلے سال میں تخفیف کے بعد ارمسال مارکیٹ کے حجم میں کچھ بہتری ہوئی۔ اس سال کے شروع میں صارفین کی مانگ میں وسیع بنیادوں پر کمی دیکھی گئی تھی۔ تاہم شرح سود اور افراط زر کے استحکام کے بعد سال کے دوسرے نصف حصے میں کووڈ-۱۹ کے پھیلنے تک طلب میں بہتری دیکھنے میں آئی تاہم لاک ڈاؤن نے بنیادی طور پر سال کی آخری سہ ماہی کے دوران میں کاروباری سرگرمیوں کو متاثر کیا۔ آپ کی کمپنی نے ضروری صنعتوں کی سپلائی چین کا حصہ ہونے کی حیثیت سے ضروری صنعتوں کے لئے اپنی ایشیا کی مسلسل فراہمی کے ذریعے کر کے اپنا کردار ادا کیا تا کہ لاک ڈاؤن کے دوران میں ان کی مصنوعات عوام کو دستیاب رہیں۔

سال کے دوران ناہموار حالات کے باوجود آپ کی کمپنی نہ صرف ملکی مارکیٹ میں اپنا مارکیٹ شیئر برقرار رکھنے میں کامیاب رہی بلکہ افغانستان اور مشرق وسطیٰ جیسی علاقائی منڈیوں میں بھی برآمدات کے لیے کامیابی سے راستے تلاش کئے اور معتدل حجم کے ساتھ برآمدی کاروبار دوبارہ شروع کیا۔ برآمدات سے متعلق ابتدائی ردعمل حوصلہ افزا ہے اور کمپنی آنے والے وقت میں اپنی برآمدات بڑھا سکتی ہے۔ کمپنی نے گزشتہ سال 216,771 میٹرک ٹن کے مقابلے میں زیر جائزہ سال کے دوران 215,648 میٹرک ٹن فروخت کی۔ اسی طرح پچھلے سال کے حجم 227,602 میٹرک ٹن کے مقابلے میں ارمسال پیداوار کا حجم 226,505 میٹرک ٹن رہا، جبکہ پیداواری شرح 94 فیصد رہی (گزشتہ سال 95 فیصد)۔

مالیت کے اعتبار سے کمپنی نے خالص فروخت میں 9.46 فیصد کی نمو درج کرائی جو گزشتہ سال میں 22.24 ارب روپے کے مقابلے میں 24.34 ارب روپے رہی۔ اس میں 72.90 ملین روپے کی برآمداتی فروخت شامل ہے۔

# STATEMENT OF COMPLIANCE

with Listed Companies (Code of Corporate Governance) Regulations, 2019  
For the Year Ended June 30, 2020

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are eight as per the following:

Male:	Seven (7)
Female:	One (1)

2. The composition of the Board is as follows:

<b>Independent Directors</b>	Mr. Kemal Shoaib Mr. Engr. M. Abdul Jabbar
<b>Other Non-executive Directors</b>	Mr. Iqbal Ali Lakhani – Chairman Mr. Amin Mohammed Lakhani Ms. Anushka Lakhani Mr. Tasleemuddin A. Batlay Mr. Shahid Ahmed Khan
<b>Executive Director</b>	Mr. Aftab Ahmad
<b>Female Directors</b>	Ms. Anushka Lakhani

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board.
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Five directors out of eight have already attended the Directors' Training courses and three are exempted from the requirements of Director Training Program.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

<b>Audit Committee</b>	Mr. Kemal Shoaib – Chairman Mr. Amin Mohammed Lakhani – Member Mr. Tasleemuddin A. Batlay - Member
<b>HR and Remuneration Committee</b>	Mr. Engr. M. Abdul Jabbar - Chairman Mr. Amin Mohammad Lakhani - Member Mr. Tasleemuddin A. Batlay – Member Mr. Aftab Ahmad – Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committees were as per following:

- |    |                               |                      |
|----|-------------------------------|----------------------|
| a. | Audit Committee               | 4 quarterly meetings |
| b. | HR and Remuneration Committee | 1 annual meeting     |

15. The Board has set up an effective internal audit function comprising of personnel who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

16. 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 and registered with Audit Oversight Board of Pakistan, that they and all their 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 that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

19. We confirm that the Company has complied with respect to all other material requirements of the Regulation.

  
**Iqbal Ali Lakhani**  
Chairman

  
**Aftab Ahmad**  
Chief Executive Officer

Karachi: August 25, 2020



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**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CENTURY PAPER & BOARD MILLS LIMITED ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Century Paper & Board Mills Limited for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a 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 of Directors' 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.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020.

KARACHI  
DATED: August 25, 2020

**BDO EBRAHIM & CO.**  
**CHARTERED ACCOUNTANTS**  
Engagement Partner: Zulfikar Ali Causer



# FINANCIAL STATEMENTS

## CONTENTS

Independent Auditor's Report to the Members	69
Statement of Financial Position	74
Statement of Profit or Loss	75
Statement of Comprehensive Income	76
Statement of Cash Flows	77
Statement of Changes in Equity	78
Notes to the Financial Statements	79



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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CENTURY PAPER & BOARD MILLS LIMITED

### Report on the Audit of Financial Statements

#### Opinion

We have audited the annexed financial statements of CENTURY PAPER & BOARD MILLS LIMITED (the Company), which comprise the statement of financial position as at June 30, 2020, and statement of profit or loss, statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2020 and of the profit and other comprehensive income, its cash flows and the changes in equity for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No	Key audit matters	How the matter was addressed in our audit
1.	<b>Capital expenditures</b> The Company continued to invest in capital projects with significant capital expenditure incurred during the year ended June 30, 2020. The significant level of capital expenditure requires consideration of the nature of the costs incurred to ensure that their capitalization in property, plant and equipment meets the specific recognition criteria in the Company's accounting policy, in particular for assets constructed by the Company, and the useful economic lives assigned by management are appropriate. For these reasons we considered it to be a key audit matter.	Our audit work included assessing and testing the design and operation of its key controls over capital expenditure and testing the amounts capitalized to supporting evidence and evaluating whether assets capitalized including borrowing cost satisfied the required recognition criteria. We also assessed the useful economic lives assigned with reference to the Company's historical experience, including assessing the level of fully depreciated assets held by the Company.

# Independent Auditor's Report to the Members

S. No	Key audit matters	How the matter was addressed in our audit
	Refer to notes 6 and 7 to the financial statements.	<p>We reviewed the minutes of the Company's Board of Directors and Audit Committee to evaluate the completeness of management's consideration of any events that warranted changes to the useful economic lives.</p> <p>We visited the sites where significant capital projects are ongoing to understand the nature of the projects.</p> <p>The adequacy of the disclosures presented in the financial statements regarding property, plant and equipment was also assessed, based on the applicable accounting standards and requirements of Companies Act, 2017.</p>
2.	<p><b>Contingencies</b></p> <p>As disclosed in note 16.1, 16.2 and 29.1 to the annexed financial statements. The Company has contingent liabilities and tax litigations in respect of income and sales tax matters, which are pending adjudication at different levels with the taxation authorities and other legal forums.</p> <p>Contingencies require management to make judgments and estimates in relation to the interpretation of laws, statutory rules, regulations and the probability of outcome and financial impact, if any, on the Company for disclosure and recognition and measurement of any provision that may be required against such contingencies.</p> <p>Due to significance of amounts involved, inherent uncertainties with respect to the outcome of matters and use of significant management judgments and estimates to assess the same including related financial impacts, we considered contingent liabilities and tax related litigations, a key audit matter.</p>	<p>We undertook number of procedures to verify the appropriateness of contingencies in the financial statements. This included, among others:</p> <ul style="list-style-type: none"> <li>• We followed the progress of each case and the Company's estimate of the cost to be incurred;</li> <li>• We reviewed the key elements of the methodology employed by management in challenging reasonableness of the cost estimates;</li> <li>• We considered the impact on future case costs from changes arising in the regulatory environment;</li> <li>• We obtained confirmations from legal advisors for current status on pending previous cases and any new case filed during the year;</li> <li>• Checked orders by relevant authority on previous lawsuits / cases appearing in the financial statements; and</li> <li>• Obtained legal advice on the above cases with the legal advisors to ensure that the outflow is possible and not probable.</li> </ul>



# Independent Auditor's Report to the Members

S. No	Key audit matters	How the matter was addressed in our audit
3.	<p><b>Control environment relating to the financial reporting process and related IT systems</b></p> <p>The IT control environment relating to the financial reporting process and the application controls of individual IT systems have an impact on the selected audit approach.</p> <p>As the financial statements are based on extensive number of data flows from multiple IT systems, consequently the financial reporting control environment is determined as a key audit matter.</p>	<p>Our audit procedures included evaluation of the financial reporting process and related control environment, as well as testing of the effectiveness of controls including general IT controls. Our audit procedures focused on testing the reconciliation and approval controls as well as on evaluating the administration of access rights.</p> <p>Our audit procedures extensively consisted of several substantive procedures as well as data analysis relating to the most significant balances on the statement of profit or loss and statement of financial position.</p>

## Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

# Independent Auditor's Report to the Members

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# Independent Auditor's Report to the Members

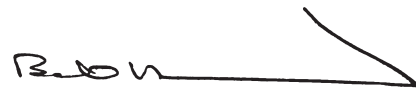
## Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Zulfikar Ali Causer.

KARACHI  
DATED: August 25, 2020



**BDO EBRAHIM & CO.**  
**CHARTERED ACCOUNTANTS**  
Engagement Partner: Zulfikar Ali Causer

# STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

	Note	2020 (Rupees in thousands)	2019
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment			
Operating fixed assets	6	9,161,796	9,131,201
Capital work in progress	7	128,397	241,653
		<u>9,290,193</u>	<u>9,372,854</u>
Intangible assets	8	11,829	9,033
Long-term advances	9	11,363	6,264
Long-term deposits		7,169	7,169
		<u>9,320,554</u>	<u>9,395,320</u>
<b>CURRENT ASSETS</b>			
Stores and spares	10	1,762,671	1,458,482
Stock-in-trade	11	3,727,784	3,484,174
Trade debts	12	2,907,929	3,046,320
Advances	13	102,192	95,874
Trade deposits and short term prepayments	14	92,086	91,398
Other receivables	15	33,953	12,062
Tax refunds due from Government	16	272,368	256,694
Taxation - net	17	140,292	261,718
Cash and bank balances	18	237,166	351,700
		<u>9,276,441</u>	<u>9,058,422</u>
<b>TOTAL ASSETS</b>		<u><b>18,596,995</b></u>	<u><b>18,453,742</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital			
410,000,000 (2019: 410,000,000) ordinary shares of Rs. 10 each		4,100,000	4,100,000
Issued, subscribed and paid-up capital	19	1,470,184	1,470,184
Reserves	20	6,112,090	4,718,750
		<u>7,582,274</u>	<u>6,188,934</u>
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	21	2,130,730	3,511,434
Lease liabilities	22	20,390	-
Deferred taxation	23	1,189,331	1,208,746
Deferred capital grant	24	18,989	-
GIDC payable	25	329,110	-
		<u>3,688,550</u>	<u>4,720,180</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	26	2,893,270	2,528,063
Interest and mark-up accrued	27	60,125	96,526
Short-term borrowings	28	3,616,772	4,247,267
Un-claimed dividend		1,361	1,321
Current portion of long-term lease liabilities	22	2,954	-
Current portion of long-term financing	21	751,689	671,451
		<u>7,326,171</u>	<u>7,544,628</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>18,596,995</b></u>	<u><b>18,453,742</b></u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	29		

The annexed notes from 1 to 53 form an integral part of these financial statements.



Aftab Ahmad  
Chief Executive Officer



Tasleemuddin Ahmed Batlay  
Director



Muhammad Rashid Dastagir  
Chief Financial Officer

# STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2020


	Note	2020 (Rupees in thousands)	2019
Sales - net	30	24,344,956	22,240,624
Cost of sales	31	(20,408,583)	(19,578,326)
<b>Gross profit</b>		<b>3,936,373</b>	2,662,298
General and administrative expenses	32	(537,474)	(474,402)
Selling and distribution expenses	33	(171,216)	(153,438)
Other operating charges	34	(188,217)	(125,750)
Other income	35	103,308	92,434
<b>Operating profit</b>		<b>3,142,774</b>	2,001,142
Finance cost	36	(987,037)	(762,165)
<b>Net profit before taxation</b>		<b>2,155,737</b>	1,238,977
Taxation	37	(633,965)	(354,823)
<b>Net profit for the year</b>		<b>1,521,772</b>	884,154
Earnings per share - basic and diluted (Rupees)	38	10.35	5.80

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

The annexed notes from 1 to 53 form an integral part of these financial statements.

  
Aftab Ahmad  
Chief Executive Officer

  
Tasleemuddin Ahmed Batlay  
Director

  
Muhammad Rashid Dastagir  
Chief Financial Officer

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2020

	Note	2020 (Rupees in thousands)	2019
Net profit for the year		1,521,772	884,154
<b>Other comprehensive income for the year</b>			
Items that will not be reclassified to statement of profit or loss subsequently			
Gain / (Loss) on remeasurement of defined benefit liability	39.9	26,178	(54,860)
Tax impact		(7,592)	15,909
		18,586	(38,951)
Total comprehensive income for the year		1,540,358	845,203

The annexed notes from 1 to 53 form an integral part of these financial statements.



Aftab Ahmad  
Chief Executive Officer



Tasleemuddin Ahmed Batlay  
Director



Muhammad Rashid Dastagir  
Chief Financial Officer

# STATEMENT OF CASH FLOWS


For the year ended June 30, 2020

	Note	2020 (Rupees in thousands)	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	41	4,259,562	2,122,020
Finance cost paid		(1,023,438)	(716,387)
Taxes paid		(539,550)	(429,053)
Gratuity paid		(58,805)	(45,701)
Workers' Profit Participation Fund paid		(66,627)	(76,301)
GIDC payable		329,110	-
Long-term loans and advances - net		(5,099)	8,979
Long-term deposits		-	(1,300)
Net cash generated from operating activities		<u>2,895,153</u>	<u>862,257</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(961,855)	(972,277)
Proceeds from sale of operating fixed assets		13,181	10,431
Net cash used in investing activities		<u>(948,674)</u>	<u>(961,846)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Redemption of preference shares		-	(901,214)
Proceeds from long-term financing from related parties / director		650,000	975,000
Repayment of long-term financing from associated companies		(1,100,000)	-
Repayment of long-term financing from Director		(650,000)	-
Proceeds from long-term financing from banking companies		490,368	466,277
Repayment of long-term financing from banking companies		(671,845)	(1,126,933)
Principal paid on lease liabilities		(2,063)	-
Dividend paid on preference shares		-	(87,664)
Dividend paid on ordinary shares		(146,978)	(110,264)
Net cash used in financing activities		<u>(1,430,518)</u>	<u>(784,798)</u>
Net increase / (decrease) in cash and cash equivalents		<u>515,961</u>	<u>(884,387)</u>
Cash and cash equivalents at the beginning of the year		<u>(3,895,567)</u>	<u>(3,011,180)</u>
Cash and cash equivalents at the end of the year		<u>(3,379,606)</u>	<u>(3,895,567)</u>
<b>CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	18	237,166	351,700
Short-term borrowings	28	(3,616,772)	(4,247,267)
		<u>(3,379,606)</u>	<u>(3,895,567)</u>

The annexed notes from 1 to 53 form an integral part of these financial statements.

  
Aftab Ahmad  
Chief Executive Officer

  
Tasleemuddin Ahmad Batlay  
Director

  
Muhammad Rashid Dastagir  
Chief Financial Officer

# STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2020

	Issued, subscribed and paid-up capital		Reserves				Total				
	Ordinary share capital	Preference share capital	Capital reserves		Revenue reserves						
			Share premium	Merger reserve	Redemption reserve	Total		General reserve	Unappropriated profit	Total	
<b>Balance as at July 01, 2018</b>	1,470,184	901,214	1,822,122	7,925	931,254	2,761,301	313,226	996,948	1,310,174	4,071,475	6,442,873
<b>Appropriation of reserves</b>											
Transfer to general reserve	-	-	-	-	-	-	686,774	(800,000)	(113,226)	-	-
Transfer to unappropriated profit	-	-	-	-	-	-	884,154	(38,951)	845,203	-	-
<b>Total comprehensive income for the year</b>											
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-
Loss on remeasurement of defined benefit liability - net of tax	-	-	-	-	-	-	-	-	-	-	-
<b>Transaction with owners</b>											
Redemption of preference shares	-	(901,214)	-	-	901,214	901,214	-	(901,214)	(901,214)	-	(901,214)
Final dividend paid on ordinary shares @ Re 0.75 per share	-	-	-	-	-	-	-	(110,264)	(110,264)	(110,264)	(110,264)
Cumulative dividend paid on preference shares	-	-	-	-	-	-	-	(87,664)	(87,664)	(87,664)	(87,664)
<b>Balance as at June 30, 2019</b>	1,470,184	-	1,822,122	7,925	1,832,468	3,662,515	200,000	856,235	1,056,235	4,718,750	6,188,934
<b>Appropriation of reserves</b>											
Transfer to general reserve	-	-	-	-	-	-	600,000	(600,000)	-	-	-
Transfer to unappropriated profit	-	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>											
Net profit for the year	-	-	-	-	-	-	-	1,521,772	1,521,772	1,521,772	1,521,772
Gain on remeasurement of defined benefit liability - net of tax	-	-	-	-	-	-	-	18,586	18,586	18,586	18,586
<b>Transaction with owners</b>											
Final dividend paid on ordinary shares @ Rs. 1 per share	-	-	-	-	-	-	-	1,540,358	1,540,358	1,540,358	1,540,358
<b>Balance as at June 30, 2020</b>	1,470,184	-	1,822,122	7,925	1,832,468	3,662,515	800,000	1,649,575	2,449,575	6,112,090	7,582,274

The annexed notes from 1 to 53 form an integral part of these financial statements.



**Aftab Ahmad**  
Chief Executive Officer



**Tasleemuddin Ahmed Batlay**  
Director



**Muhammad Rashid Dastagir**  
Chief Financial Officer



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

## 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 repealed Companies Ordinance, 1984 and its ordinary shares are listed on Pakistan Stock Exchange. The Company is engaged in manufacturing and marketing of paper, board and related products.

## 2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is located at Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi, Pakistan. The mills (plant) of the Company is located at 62 KM, Lahore - Multan Highway, N-5, District Kasure, Pakistan, and a regional office of the Company is located at 14-Ali Block, New Garden Town, Lahore, Pakistan.

## 3 BASIS OF PREPARATION

### 3.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting and reporting standards as applicable in Pakistan. The approved accounting and reporting standards applicable in Pakistan comprise of :

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

### 3.2 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.

### 3.3 Use of estimates and judgements:

The preparation of these financial statements in conformity with approved accounting standards requires the management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historic experience and other factors including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management that may have a significant risk of material adjustments to the financial statements in subsequent years are discussed in note 5.27.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

## 3.4 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

## 4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

The Company has adopted all the new standards and amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year:

### 4.1 Change in accounting policy

The Company has adopt IFRS 16 "Leases" from July 01, 2019 which is effective from the annual period beginning on or after January 01, 2019. The detail of new accounting policy adopted and the nature and effect of the changes from the previous accounting policy are set out below:

#### 4.1.1 Effective in current year and are relevant to the Company.

##### IFRS 16 - Leases

IFRS 16 'Leases' was issued on January 01, 2016. This standard is adopted locally by the Securities and Exchange Commission of Pakistan. IFRS 16 replaced IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease'. The Company applied IFRS 16 with a date of initial application of July 01, 2019.

##### Transition method and practical expedients utilized

The Company applied IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (July 01, 2019), without restatement of comparative figures.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- applied a single discount rate to a portfolio of leases with similar characteristics.
- applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

On adoption of IFRS 16, the Company recognised a right-of-use asset and lease liability at the commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

date, plus any initial direct cost incurred and an estimate of cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company used its incremental borrowing rate as the discount rate as at July 01, 2019.

The right-of-use asset is subsequently depreciated using straight line method from the date of recognition to the earlier of the end of useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by the impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

Subsequently, the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in the rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in statement of profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

IFRS 16 requires the Company to assess the lease term as the non-cancelable lease term in line with the lease contract together with the period for which the Company has extension options which the Company is reasonably certain to exercise and the periods for which the Company has termination options for which the Company is reasonably certain not to exercise those termination options.

A portion of the lease contracts included within Company's lease portfolio includes lease contracts which are extendable through mutual agreement between the Company and the lessor or cancelable by both parties immediately or on short notice. In assessing the lease term for the adoption of IFRS 16, the Company concluded that such contracts are short-term in nature and payments made in respect of these leases are accordingly expensed in the statement of profit or loss.

On transition to IFRS 16, the Company recognised right-to-use assets and lease liabilities on the date of initial application as follows;

	July 01, 2019 (Rupees in thousands)
<b>Property, plant and equipment</b>	
Right-of-use assets	<u>25,407</u>
<b>Lease liabilities</b>	
Non-current	23,344
Current	<u>2,063</u>
	<u>25,407</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

## 4.2 Effective in current year and not relevant to the Company

	<b>Effective date (annual periods beginning on or after)</b>
IFRS 3 Business Combinations	January 01, 2019
IFRS 9 Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 11 Joint Arrangement	January 01, 2019
IAS 12 Income Tax	January 01, 2019
IAS 19 Employee Benefits	January 01, 2019
IAS 23 Borrowing Costs	January 01, 2019
IAS 28 Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019
IFRS 14 Regulatory Deferral Accounts - Original issue	July 01, 2019
IFRIC 23 Uncertainty over Income Tax Treatments	January 01, 2019
IFRS 8 Operating Segments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 16 Leases - Original issue	January 01, 2019

## 4.3 Amendments not yet effective

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.	January 01, 2020
IFRS 3 Business Combinations - Amendments to clarify the definition of a business	January 01, 2020
IFRS 3 Business Combinations - Amendments updating a reference to the Conceptual Framework	January 01, 2022
IFRS 4 Insurance Contracts - Amendments regarding the expiry date of the deferral approach	January 01, 2023
IFRS 7 Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

IFRS 9	Financial Instruments - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2023
IFRS 16	Leases - Amendment to provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification	January 01, 2020
IFRS 17	Insurance Contracts - Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published	January 01, 2023
IAS 1	Presentation of Financial Statements - Amendments regarding the definition of materiality	January 01, 2020
IAS 1	Presentation of Financial Statements - Amendments regarding the classification of liabilities	January 01, 2022
IAS 16	Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	January 01, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous	January 01, 2022
IAS 41	Agriculture - The amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.	January 01, 2020

## 4.4 Conceptual Framework for Financial Reporting by IASB

On March 29, 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately and contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of January 01, 2020, unless the new guidance contains specific scope outs.

The IASB issued 'Interest Rate Benchmark Reform' which amended followings IFRS:

IFRS 7	Financial Instruments "disclosures"	January 01, 2020
IFRS 9	Financial Instruments	January 01, 2020
IAS 39	Financial Instruments: Recognition and Measurement	January 01, 2020

Interest Rate Benchmark Reform amended IFRS 7 and IFRS 9 and IAS 39 as a first reaction to the potential effects the IBOR reform could have on financial reporting, this amendment requiring additional disclosures around uncertainty arising from the interest rate benchmark reform.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

## 5 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 except for change in accounting policy as disclosed in note 4.1 to these financial statements.

### 5.1 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 5.11) and exchange differences recognized, for the acquisition of property, plant and equipment up to the commencement of commercial production. 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 an 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 statement of profit or loss 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.

The spare parts, stand-by equipments and servicing equipments are capitalized as an asset when they meet the definition of property, plant and equipment.

Depreciation on operating fixed assets other than land 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 6, are determined to allocate the cost of an asset less estimated residual value, if not insignificant, over its useful life.

The assets' residual values, depreciation method and useful lives of each part of property, plant and equipment are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

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 statement of profit or loss.

#### b) Capital work-in-progress

Capital work-in-progress and stores held for capital expenditures are stated at cost and consists 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 intended by the management.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

## 5.2 Intangible assets

Intangible assets are recognized when it is probable that the expected future economic benefits will flow to the Company. Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if any. Cost of the intangible asset (i.e. computer software) includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

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 8 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 softwares are recognized as an expense as and when incurred.

## 5.3 Impairment of non-financial assets

The carrying amount of the Company's non-financial assets are reviewed at each statement of financial position 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 statement of profit or loss. 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 recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Impaired assets are reviewed for possible reversal of the impairment at each statement of financial position date. Reversal of the impairment losses are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment losses had been recognized. A reversal of impairment loss is recognized in the statement of profit or loss.

## 5.4 Leases

### a) Right-of-use assets

The right-of-use asset is measured at cost, as the amount equal to initially measured lease liability adjusted for lease prepayments made at or before the commencement date, initial direct cost incurred less any lease incentives received.

The right-of-use asset is subsequently depreciated using straight line method from the date of recognition to the earlier of the end of useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by the impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

## b) Lease liability

The lease liability was measured upon initial recognition at the present value of the future lease payments over the lease term, discounted with the specific incremental borrowing rate.

Subsequently lease liabilities are measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in the rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in statement of profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

## 5.5 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.

The Company reviews the carrying amount of stores and spares on a periodic basis and provision is made for slow moving and obsolescence on periodic basis.

## 5.6 Stock-in-trade

Stock-in-trade are valued at the lower of cost and net realizable value. Cost of raw material is determined by using the monthly weighted average method.

Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

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 costs, fuel and power cost and an appropriate proportion of manufacturing overheads including labour cost, depreciation and maintenance etc.

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

## 5.7 Trade debts and other receivables

Trade debts and other receivables are recognized and carried at original invoiced amount which is the fair value of the consideration to be received in future for goods sold. The Company is required to recognize allowance for doubtful debts on all financial assets carried at amortized cost in accordance with Expected Credit Loss (ECL) requiring to recognize the loss irrespective whether the loss event has occurred.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

## 5.8 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case it is also 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 determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using tax rates enacted or substantively enacted at the reporting date after taking into account tax credits and tax rebates. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

### b) Deferred

Deferred tax is accounted for using the Balance Sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available in future years to utilize deductible temporary differences, unused tax losses and tax credits.

The carrying amount of deferred tax asset is reviewed at each statement of financial position date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax is calculated based on tax rates that have been enacted or substantively enacted up to the statement of financial position date and are expected to apply to the periods when the differences reverse.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

## 5.9 Deferred Capital Grant

The Deferred Capital Grant is measured upon initial recognition as the difference between fair value of the loan and loan proceeds. The fair value of the loan is the present value of the loan proceed received, discounted using the prevailing market rates of interest for a similar instrument. Subsequently, the grant is recognized in statement of profit or loss, in line with the recognition of interest expenses the grant is compensating.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

## 5.10 Cash and bank balances

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

## 5.11 Borrowings

Borrowings are recognised initially at fair value net of transaction cost incurred. Borrowing cost are subsequently carried at amortised cost. Any difference between the proceeds received (net of transaction cost) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Finance cost are accounted for on accrual basis and are shown as interest and markup is accrued to the extent of the amount remaining unpaid.

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 statement of financial position date.

Borrowing cost on long term finances and short term borrowings which are obtained for the acquisition of qualifying assets are capitalized as part of cost of that asset. All other borrowing costs are charged to statement of profit or loss 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".

## 5.12 Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities.

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 and subsequently measured at amortised cost. Exchange gains and losses arising on transaction in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

## 5.13 Provisions

A provision is recognized in the statement of financial position 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 not recognised for future operating losses. Provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimates.

## 5.14 Contingencies

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

## 5.15 Financial instruments

### 5.15.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through statement of profit or loss, fair value through other comprehensive income and amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company as at statement of financial position date are carried at amortized cost.

#### Amortized cost

A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at fair value through statement of profit or loss:

- (i) it is held with in a business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### Impairment

The Company recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost and contract assets. The Company measures loss allowance at an amount equal to lifetime ECLs.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

### 5.15.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

### 5.15.3 Recognition and measurement

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

## 5.15.4 Derecognition

The financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial assets. The financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

## 5.16 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities 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.

## 5.17 Derivative financial instruments

These are initially recorded at fair value on the date a derivative contract is entered into and are re-measured to fair value at reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company does not apply hedge accounting for any derivatives.

Any gain or loss from change in fair value of derivatives that do not qualify for hedge accounting are taken directly to statement of profit or loss.

## 5.18 Foreign currency translation

Transactions in foreign currencies are converted into functional currency (PKR) at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into functional currency at the rates of exchange prevailing at the statement of financial position date. Exchange gains and losses are recognized in the statement of profit or loss.

## 5.19 Employees benefits

The Company's employees benefits comprise of provident fund, gratuity scheme, compensated absences and medical benefits for eligible employees.

### 5.19.1 Staff retirement benefits

#### a) Defined benefit plan (Gratuity Fund)

The Company has a gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. The Gratuity Fund is maintained by a trust created and duly approved. Contributions to the fund are made based on actuarial recommendations. The most recent actuarial valuation was carried out at June 30, 2020 using the projected unit credit method (refer note 39). The rereasurement gains/losses as per actuarial valuation done at financial year end are recognized immediately in other comprehensive income and all other expenses are recognized in accordance with IAS 19 "Employee Benefits" in the statement of profit or loss. Calculation of gratuity requires assumptions to be made of future outcomes which mainly include increase in remuneration, expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

## b) Defined contribution plan (Provident Fund)

The Company contributes to an approved contributory provident fund scheme for all its permanent employees. Equal monthly contributions, both by the Company and the employees are made to the fund, at the rate of 10% of the basic salary plus cost of living allowance. All regular employees are eligible for provident fund upon their confirmation. Obligation for contributions to defined contribution plan by the Company is recognized as an expense in the statement of profit or loss. Prepaid contribution are recognized as an asset to the extent that cash refund or reduction in future payment is available.

## 5.19.2 Compensated absences

The Company accounts for compensated absences of its employees on the basis of unavailed earned leaves balance of each employee accumulated up to three years at the statement of financial position date. The related expected cost thereof has been charged to statement of profit or loss.

## 5.19.3 Medical benefits

The Company maintains a health insurance policy for its entitled employees and their respective spouses. The Company contributes premium to the policy annually. Such premium is recognised as an expense in the statement of profit or loss in the period to which it relates.

## 5.20 Revenue recognition

Revenue comprises the fair value for the sale of goods net of sales taxes and discounts. Revenue from the sale of goods is recognized when control of the goods passes to customers and the customers can direct the use of and substantially obtain all the benefits from the goods.

Revenue is recognized when specific criteria have been met for each of the Company's activities as described below.

### Revenue from contracts with customers

#### Sale of goods

Sale of goods is recognized when the Company has transferred control of the products to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

#### Contract assets

Contract assets arise when the Company performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due.

#### Contract liabilities

Contract liability is the obligation of the Company to transfer goods to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs its performance obligations under the contract.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

## Others

- 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.
- All other income is recognized on accrual basis.

## 5.21 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.

## 5.22 Share capital

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

## 5.23 Earnings per share

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

## 5.24 Dividend and appropriation to reserves

Dividend is recognised as a liability in the period in which it is declared and approved. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

## 5.25 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.

## 5.26 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. The Company has only one reportable segment.

## 5.27 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 judgement in process of applying the Company's accounting policies, and

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

- use of certain critical accounting estimates and assumptions concerning the future.

The management has exercised judgement in applying the Company's accounting policies for classification of Post Employment Benefits as Defined Benefits Plan and Defined Contribution Plan (refer note 5.19, note 39 and 40) that have the most significant effects on the amounts 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 5.8 of these financial statements.

**b) Defined benefits plan**

Certain actuarial assumptions have been adopted as disclosed in note 39 to 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 statement of profit or loss as provision / reversal.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

## 6 OPERATING FIXED ASSETS

The following is the statement of operating fixed assets:

Description	Freehold land (note 6.1)	Buildings on freehold land	Leasehold improvements	Plant and machinery (note 6.2 & 6.3)	Furniture and fixtures	Vehicles	Electrical and other equipments	Computers	Right-of-use asset	Total
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(Rupees in thousands)

### Year ended June 30, 2020

#### Net carrying value basis

Opening net book value (NBV)	281,529	1,834,336	9,180	6,843,375	3,902	123,688	17,217	17,974	-	9,131,201
Additions (at cost) (refer note 6.4)	-	16,587	-	1,019,743	-	45,246	8,144	7,820	25,407	1,122,947
Disposals (NBV)	-	-	-	(130)	-	(6,896)	-	-	-	(7,026)
Depreciation charge	-	(93,941)	(2,344)	(941,910)	(1,085)	(24,579)	(6,396)	(10,451)	(4,620)	(1,085,326)
Closing net book value (refer note 6.5)	281,529	1,756,982	6,836	6,921,078	2,817	137,459	18,965	15,343	20,787	9,161,796

#### Gross carrying value basis

Cost	281,529	2,555,694	18,714	17,295,776	22,374	225,982	61,770	124,866	25,407	20,612,112
Accumulated depreciation / impairment	-	(798,712)	(11,878)	(10,374,698)	(19,557)	(88,523)	(42,805)	(109,523)	(4,620)	(11,450,316)
Net book value	281,529	1,756,982	6,836	6,921,078	2,817	137,459	18,965	15,343	20,787	9,161,796

### Year ended June 30, 2019

#### Net carrying value basis

Opening net book value (NBV)	281,529	1,915,086	11,524	6,785,568	5,021	98,651	12,789	12,003	-	9,122,170
Additions (at cost) (refer note 6.4)	-	11,651	-	907,126	99	54,927	10,100	14,087	-	997,991
Disposals (NBV)	-	-	-	-	-	(6,527)	-	-	-	(6,527)
Depreciation charge	-	(92,401)	(2,344)	(849,319)	(1,219)	(23,363)	(5,671)	(8,117)	-	(982,433)
Closing net book value (refer note 6.5)	281,529	1,834,336	9,180	6,843,375	3,902	123,688	17,217	17,974	-	9,131,201

#### Gross carrying value basis

Cost	281,529	2,539,106	18,714	16,901,783	22,374	204,701	54,121	117,131	-	20,139,459
Accumulated depreciation / impairment	-	(704,770)	(9,534)	(10,058,408)	(18,472)	(81,013)	(36,904)	(99,157)	-	(11,008,258)
Net book value	281,529	1,834,336	9,180	6,843,375	3,902	123,688	17,217	17,974	-	9,131,201

#### Depreciation rate % per annum

-	2.5 to 10	20	5 to 20	10 to 20	20	10 to 33	20 to 33	-	-
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- 6.1** This freehold land of 158.5 acre (2019: 158.5 acre) is located at Village Jumber Khurd, Tehsil Pattoki, District Kasur.
- 6.2** Plant and machinery includes gas pipeline installations with a cost of Rs. 16.87 million (written down value: Nil) [2019: Rs. 16.87 million (written down value: Nil)] that installed outside the premises of the factory but which are under the possession and control of the Sui Northern Gas Pipelines Limited. However, the economic benefits associated with these assets are flowing to the Company.
- 6.3** Plant and machinery includes capital spares amounting to Rs. 286.16 million (written down value Rs. 92.34 million) [2019: Rs. 286.16 million (written down value Rs. 119.59 million)].
- 6.4** This includes transfer from capital work-in-progress amounting to Rs. 1,021.13 million (2019: Rs. 873.45 million).
- 6.5** The cost of fully depreciated assets which are still in use as at June 30, 2020 is Rs. 4,468 million and written down value is Rs. 6.74 million (2019: Rs. 4,775 million and written down value is Rs. 6.65 million).



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Note	2020 (Rupees in thousands)	2019
<b>6.6</b>	The depreciation charge for the year has been allocated as follows:		
Cost of sales	31	1,044,503	944,564
General and administrative expenses	32	36,834	34,785
Selling and distribution expenses	33	3,989	3,084
		<u>1,085,326</u>	<u>982,433</u>

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

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyers
(Rupees in thousands)						
<b>Plant and machinery</b>						
Items having book value upto Rs. five hundred thousand	625,750	625,620	130	650	Various (Note 6.7.1)	Various
<b>Vehicle</b>						
Toyota Corolla Altis Grande (LEB-12-2217)	2,302	1,548	754	755	Maturity of Company Car Scheme (6.7.2)	Mr. Aftab Ahmad
Honda City Prosmetic Aspire (BCF - 144)	1,814	1,281	533	689	Maturity of Company Car Scheme (6.7.2)	Mr. Abdul Shakoor
Suzuki Wagonr (LE-18-5564)	1,094	281	813	865	Sale (Negotiation)	Mrs. Arshad Rahi
Items having book value upto Rs. five hundred thousand	18,756	13,960	4,796	10,148	Various (Note 6.7.1)	Various
	<u>23,966</u>	<u>17,070</u>	<u>6,896</u>	<u>12,457</u>		
<b>Electrical &amp; Other Equipments</b>						
Items having book value upto Rs. five hundred thousand	494	494	-	67	Scrap (Note 6.7.1)	M/S Karachi Refrigeration M/S Zeshan Dispenser
<b>Computers Equipments</b>						
Items having book value upto Rs. five hundred thousand	85	85	-	7	Sale (Negotiation)	Mr. Sabir Imtaiz
<b>Total - 2020</b>	<u>650,295</u>	<u>643,269</u>	<u>7,026</u>	<u>13,181</u>		
<b>Total - 2019</b>	<u>30,300</u>	<u>23,771</u>	<u>6,529</u>	<u>10,431</u>		

**6.7.1** Certain assets were retired during the year and sold as bulk scrap. Consequently, it is not practicable to assign sale proceeds to these retired assets individually.

**6.7.2** The vehicles were transferred to employees at maturity of the Company car scheme.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Note	2020 (Rupees in thousands)	2019	
<b>7 CAPITAL WORK-IN-PROGRESS</b>				
This comprises of:				
Building		-	2,027	
Plant and machinery	7.3	<u>128,397</u>	<u>239,626</u>	
		<u>128,397</u>	<u>241,653</u>	
<b>7.1 Movement of carrying amount</b>				
	Note	<b>Building</b>	<b>Plant and machinery</b>	<b>Total</b>
		(Rupees in thousands)		
<b>Year ended June 30, 2020</b>				
Opening balance		2,027	239,626	241,653
Additions (at cost)	7.2	14,560	893,317	907,877
Transferred to operating fixed assets		(16,587)	(1,004,546)	(1,021,133)
Closing balance		<u>-</u>	<u>128,397</u>	<u>128,397</u>
<b>Year ended June 30, 2019</b>				
Opening balance		5,417	462,130	467,547
Additions (at cost)	7.2	7,744	639,810	647,554
Transferred to operating fixed assets		(11,134)	(862,314)	(873,448)
Closing balance		<u>2,027</u>	<u>239,626</u>	<u>241,653</u>
<b>7.2</b>	This includes borrowing costs capitalized amounting to Rs. 15.42 million (2019: Rs. 10.89 million) at an average rate of 10.08% (2019: 6.78%) per annum.			
<b>7.3</b>	This includes advance to supplier amounting to Rs. 2.93 million (2019: Rs. 61.25 million).			
<b>8 INTANGIBLE ASSETS</b>				
Intangible assets	8.1	<u>11,829</u>	<u>9,033</u>	
<b>8.1 Net carrying value basis</b>				
Opening net book value		9,033	2,575	
Additions (at cost)		6,090	8,107	
Amortization charge	32	(3,294)	(1,649)	
Closing net book value		<u>11,829</u>	<u>9,033</u>	
<b>Gross carrying value basis</b>				
Cost		78,200	72,110	
Accumulated amortization		(66,371)	(63,077)	
Net book value		<u>11,829</u>	<u>9,033</u>	
<b>Amortization rate % per annum</b>		<b>20 – 33.33</b>	<b>20 – 33.33</b>	

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Note	2020 (Rupees in thousands)	2019
<b>9 LONG-TERM ADVANCES</b>			
(Unsecured - considered good)			
Long-term advance to supplier	9.1	<u>11,363</u>	<u>6,264</u>
<b>9.1</b> This represents advances to suppliers against purchase of vehicles in the normal course of business and does not carry any interest or mark-up.			
<b>9.2</b> Chief Executive Officer and Directors have not taken any loans and advances from the Company.			
	Note	2020 (Rupees in thousands)	2019
<b>10 STORES AND SPARES</b>			
Stores In hand			
Stores		769,296	763,889
Spares		433,529	397,353
Fuel		329,011	139,367
		<u>1,531,836</u>	<u>1,300,609</u>
In transit			
Spares		85,723	136,438
Coal		197,922	68,245
		<u>283,645</u>	<u>204,683</u>
Provision for slow moving stores and spares	10.1	<u>(52,810)</u>	<u>(46,810)</u>
	10.2	<u>1,762,671</u>	<u>1,458,482</u>
<b>10.1 Provision for slow moving stores and spares</b>			
Balance at the beginning of the year		46,810	40,810
Provision recognized during the year	31	<u>6,000</u>	<u>6,000</u>
Balance at the end of the year		<u>52,810</u>	<u>46,810</u>
<b>10.2</b> 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 consumption resulting in capital expenditure are capitalized in cost of respective assets.			
		2020 (Rupees in thousands)	2019
<b>11 STOCK-IN-TRADE</b>			
Raw materials			
in hand		2,270,077	1,585,977
in transit		891,012	1,048,267
		<u>3,161,089</u>	<u>2,634,244</u>
Work-in-process		103,498	87,584
Finished goods		463,197	762,346
		<u>3,727,784</u>	<u>3,484,174</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Note	2020 (Rupees in thousands)	2019
<b>12 TRADE DEBTS</b>			
(Unsecured - considered good)			
Due from associated undertakings	12.1	489,769	606,879
Others		2,418,160	2,439,441
	12.4	<u>2,907,929</u>	<u>3,046,320</u>
<b>12.1</b> This comprises of amounts receivable from:			
Merit Packaging Limited		445,093	540,956
Colgate-Palmolive (Pakistan) Limited		44,676	65,923
	12.2	<u>489,769</u>	<u>606,879</u>
<b>12.2</b> The aging of related party balances at the statement of financial position date is as follows:			
Not past due		463,737	531,460
Past due 1-30 days		26,032	75,419
		<u>489,769</u>	<u>606,879</u>
<b>12.3</b> The maximum amount due from related parties at the end of any month during the year was Rs. 1,046.88 million (2019: Rs. 675.52 million).			

**12.4** These are in the normal course of business and interest free.

	Note	2020 (Rupees in thousands)	2019
<b>13 ADVANCES</b>			
Advances			
to employees	13.1	710	4,736
to suppliers	13.2	101,482	91,138
	13.3	<u>102,192</u>	<u>95,874</u>

**13.1** This includes advances provided to employees to meet business expenses and are settled as and when the expenses are incurred. These advances do not carry any interest or mark-up.

**13.2** This represents advances to suppliers in the normal course of business and does not carry any interest or mark-up.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Note	2020 (Rupees in thousands)	2019
<b>14 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Deposits	14.1	2,380	360
Prepayments	14.2	89,706	91,038
		<u>92,086</u>	<u>91,398</u>

**14.1** This represents short term deposits in the normal course of business and does not carry any interest or mark-up.

**14.2** This includes prepaid insurance premium of Rs. 84.30 million (2019: Rs. 85.98 million) to M/s Century Insurance Company Limited, an associated undertaking.

	Note	2020 (Rupees in thousands)	2019
<b>15 OTHER RECEIVABLES</b>			
(Unsecured - considered good)			
Due from associated undertakings			
Insurance agency commission		8,280	1,146
Others		2,674	2,674
	15.1 & 15.2	<u>10,954</u>	<u>3,820</u>
Insurance claim	15.4	19,010	-
Others		3,989	8,242
		<u>33,953</u>	<u>12,062</u>

**15.1** This comprises of amounts receivable from:

Century Insurance Company Limited	6,926	1,146
Merit Packaging Limited	3,898	2,674
Colgate-Palmolive (Pakistan) Limited	130	-
	<u>10,954</u>	<u>3,820</u>

**15.2** The aging of related party balances at the statement of financial position date is as follows:

Not past due	<u>10,954</u>	<u>3,820</u>
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**15.3** The maximum amount due from related parties at the end of any month during the year was Rs. 20.59 million (2019: Rs. 9.18 million).

**15.4** This represents the cost of repairs of damaged Chain Grade Boiler and other assets caused by breakdown incident which occurred on Biomass Fired Steam Boiler during the year. This cost is recoverable as part of Insurance claim to be lodged after finalization of Insurance Surveyors' assessment report.

**15.5** These are in the normal course of business and interest free.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Note	2020 (Rupees in thousands)	2019
<b>16 TAX REFUNDS DUE FROM GOVERNMENT</b>			
Income tax	16.1&16.2	<b>254,410</b>	240,631
Sales tax	16.3	<b>17,958</b>	16,063
		<u><b>272,368</b></u>	<u>256,694</u>

**16.1** The Additional Commissioner of (Audit) Inland Revenue - LTU in his order dated February 19, 2020 in respect of tax year 2019 has determined the net tax payable of Rs. 13.78 million by disallowing the adjustment of minimum tax of Rs. 293.11 million for previous years, added-back GIDC charge 2015 of prior years' amounting to Rs. 207 million and certain other expenses.

The Company filed an appeal before the Commissioner Inland Revenue (Appeals) against the said order and the Commissioner Inland Revenue (Appeals) in the order received subsequent to year end upheld the disallowances of minimum tax and add back of GIDC charge made by the Additional Commissioner. The Company has decided to file an appeal before ATIR and believes that the case will be decided in favor of the Company and the legal adviser of the Company has also concurred with the management view.

**16.2** The Additional Commissioner of (Audit) Inland Revenue - LTU in his order dated March 4, 2019 has determined the net tax payable of Rs. 67.74 million by disallowing the adjustment of minimum tax of Rs. 214.93 million for previous years and certain other expenses.

The Company has filed an appeal before the Commissioner Inland Revenue (Appeals) against the said order. The Company believes that the case will be decided in favor of the Company and the legal adviser of the Company has also concurred with the management view.

**16.3** This includes Rs. 10.02 million paid against demand raised by Assistant Commissioner-IR (Audit) in respect of sales tax input not allowed as result of audit of sales tax returns for tax year 2015. The Company has filed an appeal against this order before the Commissioner Inland Revenue (Appeals - I) under Section 45B of the Sales Tax Act, 1990.

For the period July 2018 to September 2018, the demand of Rs. 6.04 million was raised by Assistant Commissioner-IR (Audit) by disallowing certain sales tax inputs on certain items. The Company filed an appeal against the demand before the Commissioner Inland Revenue (Appeals - I) under Section 45B of the Sales Tax Act. The Commissioner Inland Revenue (Appeals - I) retained the decision of the Assistant Commissioner - IR (Audit). The Company filed an appeal before the Appellate Tribunal Inland Revenue against the order of Commissioner (appeals) in respect of which decision is pending.

## 17 TAXATION - NET

**17.1** The income tax assessments proceedings of the Company are in process for tax year 2011, 2012, 2015, 2016, 2018 and 2019. The Company has made adequate provisions in these financial statements for the year ended June 30, 2020 (Tax year 2020).

**17.2** Income tax authorities have made certain disallowances for expenses for Tax Year 2009, 2011 to 2019 which resulted in reduction of tax losses available to the Company for respective years.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

For the Tax Year 2009, 2011, 2012 Appellate Tribunal Inland Revenue has passed the orders confirming partial disallowances and granting certain reliefs by remanding back the issue. For Tax Year 2012, the Company has filed a reference application before High Court of Sindh against the order of Appellate Tribunal Inland Revenue which is pending hearing.

For Tax Year 2015, the tax department's appeal is pending before Appellate Tribunal Inland Revenue in respect of issues decided in favor of the Company by Commissioner Inland Revenue (Appeals) and for Tax Year 2016, the Company's appeal is pending before Commissioner Inland Revenue (Appeals).

For the tax year 2018 and 2019, The Additional Commissioner of (Audit) Inland Revenue - LTU in his order dated March 4, 2019 and February 19, 2020 has determined the net tax payable of Rs. 67.74 million and Rs. 13.78 million respectively as explained in note 16.1 and 16.2 to these financial statements.

	2020	2019
	(Rupees in thousands)	
<b>18 CASH AND BANK BALANCES</b>		
Cash at bank in current account		
Conventional mode	168,751	23,711
Cheques in hand	64,641	325,427
Cash in hand	3,774	2,562
	<u>237,166</u>	<u>351,700</u>

## 19 ORDINARY SHARES

Number of ordinary shares of Rs. 10/- each			2020	2019
2020	2019		(Rupees in thousands)	
77,678,857	77,678,857	Fully paid in cash	776,790	776,790
43,542,501	43,542,501	Issued as fully paid bonus shares	435,425	435,425
25,089,437	25,089,437	Issued due to conversion of preference shares	250,894	250,894
707,550	707,550	Issued under scheme of amalgamation	7,075	7,075
<u>147,018,345</u>	<u>147,018,345</u>		<u>1,470,184</u>	<u>1,470,184</u>
		Shares held by associated companies and related parties	<u>1,010,648</u>	<u>1,002,298</u>

**19.1** Percentage of shares held by Directors, Chief Executive Officer and their spouses as at June 30, 2020 is 0.069 (2019: 0.043).

**19.2** The Shareholders' rights and privileges are governed through Company's Memorandum and Articles of Association and there is no specific shareholder's agreement executed for voting rights, board selection, right of first refusal and block voting.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Note	2020 (Rupees in thousands)	2019
<b>20 RESERVES</b>			
Capital			
Share premium	20.1	1,822,122	1,822,122
Capital redemption reserve	20.2	1,832,468	1,832,468
Merger reserve	20.3	7,925	7,925
		<u>3,662,515</u>	<u>3,662,515</u>
Revenue			
General reserve		800,000	200,000
Un-appropriated profit		1,649,575	856,235
		<u>2,449,575</u>	<u>1,056,235</u>
		<u>6,112,090</u>	<u>4,718,750</u>
<b>20.1</b>	This reserve can be utilized by the Company only for the purposes specified in Section 81(3) of the Companies Act, 2017.		
<b>20.2</b>	This represents reserve created for preference shares redeemed through cash to comply with Section 85(c) of the repealed Companies Ordinance, 1984.		
<b>20.3</b>	This represents amount created under scheme of arrangement for amalgamation of former Century Power Generation Limited, a subsidiary, with the Company.		
<b>20.4</b>	Movement of reserves have been reflected in the statement of changes in equity.		
<b>21 LONG-TERM FINANCING</b>			
From banking companies - secured			
Utilized under mark-up arrangements financed by:			
Islamic mode			
Meezan Bank Limited - Musharaka - 2	21.1	187,500	337,500
Conventional mode			
Syndicated - Consortium of Banks	21.2	375,000	675,000
Allied Bank Limited - Term loan - 1	21.3	69,093	207,279
Allied Bank Limited - Term loan - 2	21.4	163,315	128,106
Allied Bank Limited - Term loan - 3	21.6	381,500	210,000
Allied Bank Limited - Term loan - 4	21.5	181,011	-
		<u>1,169,919</u>	<u>1,220,385</u>
		<u>1,357,419</u>	<u>1,557,885</u>
From associated undertaking - unsecured			
SIZA Commodities (Private) Limited - 1	21.7	550,000	1,000,000
SIZA Commodities (Private) Limited - 2	21.8	100,000	100,000
SIZA (Private) Limited	21.8	625,000	625,000
SIZA Services (Private) Limited	21.8	250,000	250,000
		<u>1,525,000</u>	<u>1,975,000</u>
From Director - unsecured	21.9	-	650,000
		<u>2,882,419</u>	<u>4,182,885</u>
Current portion shown under current liabilities			
Islamic mode		(150,000)	(150,000)
Conventional mode		(601,689)	(521,451)
		<u>(751,689)</u>	<u>(671,451)</u>
		<u>2,130,730</u>	<u>3,511,434</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

- 21.1** This represents Diminishing Musharaka Arrangement of Rs. 750 million with Meezan Bank Limited for financing expenditure incurred on 18 MW Coal Based Co-Generation Power Plant. The tenor of the facility is seven years with two years grace period. This finance facility is repayable in twenty equal quarterly installments which commenced from November 2016.

The finance facility is secured by way of mortgage of immovable properties of the Company and first pari passu hypothecation charge over all assets belonging to the Company with 25% margin.

The rate of markup is equal to base rate plus 0.50% (2019: 0.50%). Base rate is equal to three months KIBOR of the last one business day prior to the beginning of each installment period. During the year, the effective markup rate was 13.32% (2019: 9.57%) per annum.

- 21.2** This represents Syndicated Term Financing Arrangement with Consortium of MCB Bank Limited and Allied Bank Limited amounting to Rs. 1,500 million for financing expenditure incurred on 18 MW Coal Based Co-Generation Power Plant. The tenor of the facility is seven years with two years grace period. This finance facility is repayable in twenty equal quarterly installments which commenced from November 2016.

The finance facility is secured by way of mortgage of immovable properties of the Company and first pari passu hypothecation charge over all assets belonging to the Company with 25% margin.

The rate of markup is equal to base rate plus 0.50% (2019: 0.50%). Base rate is equal to three months KIBOR of the last one business day prior to the beginning of each installment period. During the year, the effective markup rate was 13.32% (2019: 9.57%) per annum.

- 21.3** This term finance facility has been obtained from Allied Bank Limited amounting to Rs. 350 million specifically for Gas Turbine Generators. The tenor of the loan is three years inclusive 6 months grace period and are repayable in 10 equal installments commencing from September 2018.

This term loan is secured by way of mortgage of all present and future plant and machinery and ranking hypothecation charge over all assets belonging to the Company with 25% margin.

The rate of markup is equal to base rate plus 0.20% (2019: 0.20%). Base rate is equal to three months KIBOR of the last one business day prior to the beginning of each installment period. During the period, the effective markup rate was 13.32% (2019: 9.61%) per annum.

- 21.4** The Company has term finance facility from Allied Bank Limited under Financing Scheme of the State Bank of Pakistan for Renewal Energy (Category II) amounting to Rs. 200 million specifically for Solar Grid Panels. The Company has made first drawdown of Rs. 81.04 million in June 2018 and second drawdown of Rs. 60.81 million has been made in January 2019.

The third drawdown of Rs. 55.87 million have been made in two tranches, the drawdown of first portion of Rs. 11.17 million was made in January 2020 and the drawdown of second portion of Rs. 44.69 million was made in May 2020. The tenor of the loan is seven years and are repayable in 28 equal monthly installments commencing from September 2018.

This term loan is secured by way of mortgage of all present and future plant and machinery and ranking hypothecation charge over all assets belonging to the Company with 25% margin. The rate of markup is fixed at 2.75% for first and second drawdown and 3.75% for third drawdown.

- 21.5** The Company has approved term finance facility from Allied Bank Limited under Refinancing Scheme of the State Bank of Pakistan amounting to Rs. 200 million specifically for paying salaries and wages to Company's employees. The Company has made first drawdown of Rs. 71.13 million in May 2020, second and third drawdown of Rs. 71.10 million and Rs. 57.77 million respectively has been made in

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

June 2020. The tenor of the financing is two and half year inclusive 6-Months grace period and are repayable in 8 equal monthly installments commencing from January 2021.

This term loan is secured by way of mortgage of all present and future plant and machinery and ranking hypothecation charge over all assets belonging to the Company with 25% margin. The rate of markup is fixed at 1.50%.

- 21.6** This term finance facility has been sanctioned by Allied Bank Limited amounting to Rs. 500 million specifically for Gas Turbine Generators. The tenor of the loan is three years inclusive of 6 months grace period and are repayable in 10 equal quarterly installments commencing from December 2019.

The Company has made a second and final drawdown of Rs. 234.50 million during the year making it total drawdown of Rs. 444.5 million. The repayment of 1st drawdown has been commenced in December 2019 and that of second drawdown will commence from October 2020.

This term loan is secured by way of mortgage of all present and future plant and machinery and ranking hypothecation charge over all assets belonging to the Company with 25% margin.

The rate of markup is equal to base rate plus 0.20%. Base rate is equal to three months KIBOR of the last one business day prior to the beginning of each installment period. During the year, the effective markup rate was 13.11% (2019: 11.19%).

- 21.7** This loan has been obtained from SIZA Commodities (Private) Limited, an associated company, amounting to Rs. 1,000 million. During the year there was repayment made of Rs. 450 million against this loan. The remaining loan is repayable in July 2022.

The rate of markup is 0.50% (2019: 0.50%) over average of three months KIBOR of the last one day of preceding quarter. During the year, the effective markup rate was 13.41% (2019: 9.68%) per annum.

- 21.8** These loans are repayable in July 2021. The rate of markup on these loans is 0.50% over average of three months KIBOR of the last one day of preceding quarter. During the year, the effective markup rate on these loans was 13.52% per annum.

- 21.9** During the year, Director loan was fully repaid and refinanced through a loan obtained from SIZA (Private) Limited, which has also been repaid during the year as per terms and conditions of the loan agreement.

- 21.10** The Company has approved term finance facility from Allied Bank Limited under Financing Scheme of the State Bank of Pakistan for Renewal Energy (Category I) amounting to Rs. 200 million specifically for Solar Grid Panels. The Company has made first drawdown of Rs. 70.18 million subsequent to year end.

This term loan is secured by way of mortgage of all present and future plant and machinery and ranking hypothecation charge over all assets belonging to the Company with 25% margin. The rate of markup is fixed at 4.5%. The tenor of the loan is five years and are repayable in 20 equal quarterly installments.

	2020 (Rupees in thousands)	2019
<b>22 LEASE LIABILITIES</b>		
Lease liabilities	23,344	-
Current portion	<u>(2,954)</u>	-
	<u>20,390</u>	-

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

## Maturity analysis-contractual cash flow

	Minimum lease payments due			Total
	Less than one year	One to five year	More than five year	
Lease payments	6,051	26,248	-	32,299
Finance Charges	(3,097)	(5,858)	-	(8,955)
Net present values	<u>2,954</u>	<u>20,390</u>	-	<u>23,344</u>

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate which is 14% per annum.

	Note	2020 (Rupees in thousands)	2019
<b>23 DEFERRED TAXATION</b>			
Deferred taxation	23.1	<u>1,189,331</u>	<u>1,208,746</u>

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

### Deferred tax liabilities

Accelerated tax depreciation allowance 1,385,633 1,411,864

### Deferred tax assets

Turnover tax / Alternative Corporate tax	(134,671)	(134,671)
Provision for slow moving stores and spares	(15,315)	(13,575)
Provision for compensated absences	(22,266)	(19,888)
Others	(24,050)	(34,984)
	<u>(196,302)</u>	<u>(203,118)</u>
	<u>1,189,331</u>	<u>1,208,746</u>

**23.2** The gross movement in the deferred tax liability during the year is as follow:

	Note	2020 (Rupees in thousands)	2019
Balance as at July 01,		1,208,746	1,309,460
Charged to statement of profit or loss	37	(27,007)	(84,805)
Charge recognized in other comprehensive income	39.9	7,592	(15,909)
		<u>1,189,331</u>	<u>1,208,746</u>

## 24 DEFERRED CAPITAL GRANT

Capital Grant	<u>18,989</u>	-
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During the year, the Company received term finance facility from Allied Bank Limited under Refinancing Scheme of the State Bank of Pakistan amounting to Rs. 200 million specifically for paying salaries and wages to Company's employees. The tenor of the financing is two and half year inclusive 6 Months grace period and are repayable in 8 equal monthly installments commencing from January 2021. Subsequent to year end, ICAP issued the guidance for accounting of said financing through circular No. 11/2020, and based on this, the Company recognized the Deferred Capital Grant in accordance with the requirements of 'IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance'.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Note	2020 (Rupees in thousands)	2019
<b>25 GIDC PAYABLE</b>			
GIDC payable		607,587	607,587
Current portion shown under current liability	26.2	<u>(278,477)</u>	<u>(607,587)</u>
		<u>329,110</u>	<u>-</u>
<b>26 TRADE AND OTHER PAYABLES</b>			
Creditors	26.1	885,549	572,741
Foreign bills payable		552,067	686,757
Accrued liabilities	25.2 & 24	816,166	826,224
Sales tax payable - net		67,227	57,898
Customers' balances		108,871	53,712
Gratuity payable	39.4	82,930	120,637
Workers' Profit Participation Fund	26.3	115,775	66,627
Workers' Welfare Fund		89,376	45,381
Provident fund payable		8,329	7,614
Other liabilities		166,980	90,472
		<u>2,893,270</u>	<u>2,528,063</u>

**26.1** The aggregate amount of the outstanding balance of associated undertakings as at June 30, 2020 is Rs. 77.60 million (2019: Rs. 95.25 million).

**26.2** This includes an amount of Rs. 278.47 million (2019: Rs. 607.59 million) payable in respect of Gas Infrastructure Development Cess (GIDC) levied under GIDC Act, 2015. Subsequent to the year end, based on appeal filed by the Government, the Supreme Court of Pakistan in its judgement dismissed all the petition filed against the aforesaid matter and decided in favour of Federal Government. Accordingly, as per the direction given in the said judgement, Company would be required to pay the amount of levy payable upto July 2020 in twenty four equal monthly installment commencing from August, 2020. The component of late payment surcharge is no more payable as per the aforesaid judgement.

	Note	2020 (Rupees in thousands)	2019
<b>26.3 Workers' Profit Participation Fund</b>			
Balance at July 01		66,627	76,301
Interest on funds utilized in Company's business	36	1,750	899
Allocation for the year	34	<u>115,775</u>	<u>66,627</u>
		<u>184,152</u>	<u>143,827</u>
Amount paid during the year		<u>(68,377)</u>	<u>(77,200)</u>
Balance at June 30		<u>115,775</u>	<u>66,627</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Note	2020 (Rupees in thousands)	2019
<b>27 INTEREST AND MARK-UP ACCRUED</b>			
Interest and mark-up accrued on:			
Long-term financing from Banks			
Islamic mode		5,387	5,387
Conventional mode		9,534	12,302
		<b>14,921</b>	<b>17,689</b>
Short-term borrowings from Banks			
Islamic mode		7,806	1,576
Conventional mode		37,398	77,261
		<b>45,204</b>	<b>78,837</b>
		<b>60,125</b>	<b>96,526</b>
<b>28 SHORT TERM BORROWINGS</b>			
From banking companies - secured			
Running finances			
Islamic mode		324,971	11,285
Conventional mode		3,291,801	2,537,382
	28.1	<b>3,616,772</b>	2,548,667
Short term loan - Conventional mode	28.3	-	1,698,600
	28.4	<b>3,616,772</b>	<b>4,247,267</b>
<b>28.1</b>	The Company has available aggregate short term running finance facilities amounting to Rs. 7,825 million (2019: Rs. 6,575 million). Markup rates are linked with KIBOR from one to three months plus spreads ranging from 0.20% to 1.50% per annum (2019: from 0.30% to 1.50% per annum).		
<b>28.2</b>	The Company has available aggregate sub-limits for FE loans under facilities for running finance and letters of credit amounting to Rs. 6,770 million (2019: Rs. 3,430 million). No utilization of FE loan has been made at year end.		
<b>28.3</b>	This loan has been repaid at maturity on October 10, 2019. This loan was obtained from Standard Chartered Bank - Dubai International Finance Center branch through Standard Chartered Bank (Pakistan) Limited amounting to USD 12.00 million equivalent to fixed amount of Rs. 1,699 million.		
<b>28.4</b>	These arrangements are secured by way of pari passu hypothecation charge created on stock-in-trade, stores and spares and trade debts of the Company.		
<b>28.5</b>	Aggregate facilities for opening of letters of credit and guarantees amounting to Rs. 9,906 million (2019: Rs. 7,456 million) are available to the Company.		
<b>29 CONTINGENCIES AND COMMITMENTS</b>			
<b>29.1 Contingencies</b>			
<b>a) Guarantees</b>			
	Guarantees have been issued by banks on behalf of the Company in the normal course of business aggregating to Rs. 741 million (2019: Rs. 681 million) including guarantee relating to Sindh Infrastructure Cess amounting to Rs. 200 million (2019: Rs. 140 million) furnished to Excise and Taxation Department.		

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

## b) Sales tax

- 1) The Additional Commissioner Enforcement - I, Punjab Revenue Authority issued a show cause notice bearing No. PRA/SC/WH/937 on June 07, 2018. The Deputy Commissioner Enforcement vide his order No. PRA/ST/WH/008 dated November 02, 2018 has determined the liability of Rs. 140 million on account of withholding sales tax under Punjab Sales Tax on Services Act 2012 for the period from July 01, 2015 to June 30, 2017. The Company filed an appeal before the Commissioner (Appeals) Punjab Revenue Authority dated December 22, 2018 against the order passed by the Additional Commissioner Enforcement - I.

The Company received order No. PRA 328/2018 dated November 06, 2019 from the Commissioner (Appeal), Punjab Revenue Authority in which determined liability has been reduced Rs. 30.021 million. However, the Company has filed an appeal before the Appellate Tribunal, Punjab Revenue Authority against the order passed by Commissioner (Appeal) with the plea that this order was passed adversely without comprehensively concluding the evidence and explanation provided by the Company. The management is of the opinion, based on the advice of legal adviser that the decision is likely to be in the favor of the Company.

- 2) Five cases of inadmissible input sale tax amounting to Rs. 94.45 million were adjudicated against the Company by Deputy Commissioner Inland Revenue. The appeals were filed by the Company against these orders at respective forum. These cases were remanded back to the adjudicating authorities by the Appellate Authorities with the direction to verify the compliance of the Company with the relevant provisions of the Sales Tax Act, 1990. No provision has been made in these financial statements as the management is of the opinion, based on advice of tax advisor, that the decision is likely to be in the favor of the Company.

## 29.2 Commitments

29.2.1 The Company's commitments as at statement of financial position date are as follows:

- a) Letters of credit other than for capital expenditure at the end of the year amounted to Rs. 1,638.98 million (2019: Rs. 1,436.12 million).
- b) Capital expenditure including letters of credit amounting to Rs. 22.37 million (2019: Rs. 177.97 million).

	Note	2020 (Rupees in thousands)	2019
<b>30 SALES - NET</b>			
Gross sales			
Local sales		28,366,788	25,992,671
Export sales	30.1	<u>72,897</u>	-
		28,439,685	25,992,671
Sales tax		<u>(4,094,729)</u>	(3,752,047)
		<u>24,344,956</u>	<u>22,240,624</u>
<b>30.1 Information by geographical area</b>			
Afghanistan		67,764	-
Dubai		<u>5,133</u>	-
		<u>72,897</u>	-

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Note	2020 (Rupees in thousands)	2019
<b>31 COST OF SALES</b>			
Materials consumed		12,577,876	12,750,665
Fuel and power		3,889,516	3,684,990
Depreciation on property, plant and equipment	6.6	1,044,503	944,564
Salaries, wages and other benefits	31.1	1,019,691	878,425
Repairs, maintenance and stores consumption		955,332	785,904
Packing expenses		528,941	469,749
Insurance		92,620	85,201
Provision for slow moving stores and spares	10.1	6,000	6,000
Rent, rates and taxes		10,869	15,687
Manufacturing cost		<u>20,125,348</u>	<u>19,621,185</u>
Work-in-process			
Opening stock		87,584	58,857
Closing stock		(103,498)	(87,584)
		<u>(15,914)</u>	<u>(28,727)</u>
Cost of goods manufactured		<u>20,109,434</u>	<u>19,592,458</u>
Finished goods			
Opening stock		762,346	748,214
Closing stock		(463,197)	(762,346)
		<u>299,149</u>	<u>(14,132)</u>
		<u>20,408,583</u>	<u>19,578,326</u>

**31.1** Salaries, wages and other benefits includes Rs. 68.18 million (2019: Rs. 55.81 million) in respect of staff retirement benefits.

	Note	2020 (Rupees in thousands)	2019
<b>32 GENERAL AND ADMINISTRATIVE EXPENSES</b>			
Salaries and other benefits	32.1	341,404	282,803
Depreciation on property, plant and equipment	6.6	36,834	34,785
Information technology charges		31,426	25,833
Rent, rates and taxes		12,679	10,484
Amortization on intangible assets	8.1	3,294	1,649
Security service charges		47,715	46,258
Repairs and maintenance		7,536	9,270
Travelling and conveyance		15,605	27,150
Electricity		11,588	9,586
Printing, stationery and periodicals		9,202	9,236
Business promotion expenses		5,704	3,796
Fee and subscription		6,976	5,682
Telephone and postage		3,583	3,591
Insurance		3,603	3,682
Advertisement		325	597
		<u>537,474</u>	<u>474,402</u>

**32.1** Salaries and other benefits include Rs. 22.57 million (2019: Rs. 18.01 million) in respect of staff retirement benefits.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Note	2020 (Rupees in thousands)	2019
<b>33 SELLING AND DISTRIBUTION EXPENSES</b>			
<b>Selling expenses</b>			
Salaries and other benefits	33.1	62,692	53,005
Insurance		869	834
Electricity		128	132
Depreciation on property, plant and equipment	6.6	3,989	3,084
Export related expenses		719	-
Travelling and conveyance		1,461	3,106
Rent, rate and taxes		1,910	1,810
Telephone and postage		136	168
		<u>71,904</u>	<u>62,139</u>
<b>Distribution expenses</b>			
Outward freight		<u>99,312</u>	<u>91,299</u>
		<u>171,216</u>	<u>153,438</u>

**33.1** Salaries and other benefits include Rs. 4.93 million (2019: Rs 4.16 million) in respect of staff retirement benefits.

	Note	2020 (Rupees in thousands)	2019
<b>34 OTHER OPERATING CHARGES</b>			
Legal and professional charges		13,795	14,179
Auditors' remuneration			
Statutory audit		1,150	1,065
Half yearly review		220	215
Fee for other certification		181	181
Reimbursement of expenses		170	166
		1,721	1,627
Workers' Profit Participation Fund	26.3	115,775	66,627
Workers' Welfare Fund		43,995	26,936
Net exchange loss		-	7,941
Donation	34.1	7,043	3,056
Others		5,888	5,384
		<u>188,217</u>	<u>125,750</u>

**34.1** The Company has paid donations to donees as mentioned below:

#### Name of Donee

Institute Of Rural Management		1,194	1,476
Assistant Commissioner Pattoki		1,068	-
Kashmir Orphan Relief Trust (Kort)		1,000	-
Pakistan Special Olympics	34.1.1	1,000	-
Family Educational Services Foundation		1,000	-
The Layton Rahmatulla Benevolent Trust	34.1.1	500	500
Others		1,281	1,080
		<u>7,043</u>	<u>3,056</u>

**34.1.1** Mr. Iqbal Ali Lakhani, the director and Ronak Iqbal Lakhani spouse of the Director, are the trustee of The Layton Rahmatulla Benevolent Trust and Chairperson of the Pakistan Special Olympics respectively.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Note	2020 (Rupees in thousands)	2019
<b>35 OTHER INCOME</b>			
Income from non-financial assets			
Sale of scrap		81,649	67,787
Insurance agency commission from associated company		13,892	14,295
Gain on sale of operating fixed assets - net		6,151	3,905
Liabilities no longer payable written back		-	5,120
Others		1,616	1,327
		<b>103,308</b>	<b>92,434</b>
<b>36 FINANCE COST</b>			
Long term financing from banks			
Islamic mode		34,909	52,505
Conventional mode		119,191	112,498
		<b>154,100</b>	<b>165,003</b>
Long term loan from associated undertakings / Directors		<b>308,704</b>	<b>230,518</b>
Short term borrowings			
Islamic mode		30,772	24,041
Conventional mode		468,050	331,076
		<b>498,822</b>	<b>355,117</b>
Short term loan from associated undertakings / Director Workers' Profit Participation Fund	26.3	- 1,750	4,862 899
		<b>963,376</b>	<b>756,399</b>
Net exchange loss on import credit finances		12,162	-
Bank charges and commission		8,062	5,766
Finance charges on leases		3,437	-
		<b>987,037</b>	<b>762,165</b>
<b>37 TAXATION</b>			
For the year			
Current	37.1	651,467	366,372
Prior		9,505	73,256
Deferred		(27,007)	(84,805)
		<b>633,965</b>	<b>354,823</b>

**37.1** The provision of current tax charge for the year represents normal tax of Rs. 650.18 million at the rate of 29% of the taxable income for the year.

The Company computes tax provisions based on the generally accepted interpretations of the tax laws to ensure that sufficient provision for the purpose of taxation is available. Accordingly, the Company has assessed the sufficiency of the tax provisions and believes that the tax provisions are sufficient to reflect the actual tax liability of the Company.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

	2020 %age	2019 %age
Applicable tax rate	29.00	29.00
Effect of Super Tax	-	2.20
Others	0.41	(2.56)
	0.41	(0.36)
Average effective tax rate	<u>29.41</u>	<u>28.64</u>

## 38 EARNINGS PER SHARE - BASIC AND DILUTED

The earnings per share as required under IAS 33 "Earnings per share" is given below:

	2020 (Rupees in thousands)	2019
Profit for the year	1,521,772	884,154
Dividend attributable to cumulative preference shares	-	(31,584)
Profit attributable to ordinary shareholders	<u>1,521,772</u>	<u>852,570</u>
Weighted average number of ordinary shares (in thousands)	<u>147,018</u>	<u>147,018</u>
Earnings per share attributable to ordinary shareholders (Rupees)	<u>10.35</u>	<u>5.80</u>

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

## 39 DEFINED BENEFIT PLAN

### 39.1 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, 2020 using the Projected Unit Credit Method.

The Company faces the following risks on account of gratuity:

**Final salary risk** - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

**Mortality risk** - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

**Withdrawal risk** - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

**Asset volatility** - Most assets are invested in risk free investments i.e. Government Bonds / Treasury Bills. However, investments in equity instruments is subject to adverse fluctuations as a result of change in the market price.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

Investment risks - The risk of the investment underperforming and not being sufficient to meet the liabilities.

Risk of insufficiency of assets - This is managed by making regular contribution to the Fund as advised by the Actuary.

## 39.2 Principal actuarial assumptions

Following are a few important actuarial assumptions used in the valuation:

	2020 %age	2019 %age
Discount rate	8.50	14.25
Expected rate of return on plan assets	14.25	9.00
Expected rate of increase in salary	8.50	14.25

	2020 (Rupees in thousands)	2019
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## 39.3 Reconciliation of balance due to defined benefit plan

Present value of defined benefit obligation	661,721	585,753
Fair value of plan assets	<u>(578,791)</u>	<u>(465,116)</u>
Closing net liability	<u>82,930</u>	<u>120,637</u>

## 39.4 Movement of the liability recognized in the statement of financial position

Opening net liability		120,637	77,494
Charge for the year	39.8	47,276	33,984
Remeasurement chargeable to other comprehensive income	39.9	(26,179)	54,860
Contribution made during the year		<u>(58,804)</u>	<u>(45,701)</u>
Closing net liability	26	<u>82,930</u>	<u>120,637</u>

## 39.5 Fair value of plan assets at year end

Government securities	43,691	67,364
Term Deposit Receipt (TDR)	329,118	241,110
Term Finance Certificates / Certificates of Investment	19,074	22,077
Mutual funds / Shares	146,341	123,528
Cash at banks	40,626	2,935
Others	(58)	8,102
	<u>578,792</u>	<u>465,116</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

2020                      2019  
(Rupees in thousands)

## 39.6 Movement in present value of defined benefit obligations

Opening present value of defined benefit obligations	585,753	508,825
Current service cost for the year	34,323	29,132
Interest cost for the year	81,970	44,948
Benefits due but not paid during the year	(681)	(1,455)
Benefits paid during the year	(20,372)	(17,352)
Remeasurement (gain) / loss on obligation	(19,271)	21,655
Closing present value of defined benefit obligations	<u>661,722</u>	<u>585,753</u>

## 39.7 Movement in fair value of plan assets

Opening fair value of plan assets	465,116	431,331
Remeasurement on plan assets	6,907	(33,205)
Contributions during the year	58,804	45,701
Benefits paid during the year	(20,372)	(17,352)
Benefits due but not paid during the year	(681)	(1,455)
Expected return on plan assets	69,017	40,096
Closing fair value of plan assets	<u>578,791</u>	<u>465,116</u>

## 39.8 Charge for the year

Current service cost	34,323	29,132
Interest cost	81,970	44,948
Expected return on plan assets	(69,017)	(40,096)
Charge for the year	<u>47,276</u>	<u>33,984</u>

## 39.9 Remeasurement chargeable to other comprehensive income

Remeasurement (gain) / loss on defined benefit obligation	(19,271)	21,655
Remeasurement (gain) / loss on plan assets	(6,907)	33,205
	(26,178)	54,860
Tax impact	7,592	(15,909)
	<u>(18,586)</u>	<u>38,951</u>

## 39.10 Sensitivity analysis

The impact of 1% change in following variables on defined benefit obligation is as follows:

	Increase in assumption	Decrease in assumption
Discount rate	(38,646)	43,957
Salary increase	44,320	(39,709)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Increase in assumption	Decrease in assumption
<b>39.11 Maturity Profile</b>		
Time in year		
1	154,791	122,735
2	54,566	57,506
3	51,210	57,664
4	45,549	56,886
5-10	461,349	594,004
Weighted average duration	6 years	6 years

**39.12** The charge in respect of defined benefit plan for the year ending June 30, 2021 is estimated to be Rs. 48.26 million.

## 40 DEFINED CONTRIBUTION PLAN

The Company has contributory provident fund scheme for benefit of all its permanent employees under the title of "Century Paper & Board Mills Limited - Employees Contributory Provident Fund". The Fund is maintained by the Trustees and all decisions regarding investments and distribution of income etc. are made by the Trustees independent of the Company.

**40.1** The Trustees have intimated that the size of the Fund at year end was Rs. 680.45 million (2019: Rs. 623.36 million).

**40.2** As intimated by the Trustees, the cost of the investments made at year end was Rs. 632.67 million (2019: Rs. 599.87 million) which is equal to 92.97% of the total fund size. The fair value of the investments was Rs. 645.82 million (2019: Rs. 591.52 million) at that date. The category wise break up of investment as per Section 218 of the Companies Act, 2017 is given below:

	2020		2019	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
Government Securities	418,321	65	120,020	20
Listed Securities (Mutual funds)	177,750	27	155,130	26
Term Finance Certificates	25,708	4	29,690	5
Bank Term Deposit	24,041	4	286,680	49
	<b>645,820</b>	<b>100</b>	<b>591,520</b>	<b>100</b>

**40.3** According to the Trustees, investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules made there under.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

41 CASH GENERATED FROM OPERATIONS	Note	2020 (Rupees in thousands)	2019
Profit before taxation		2,155,737	1,238,977
Adjustment for non-cash charges and other items:			
Depreciation on property, plant and equipment		1,085,326	982,433
Amortization of intangible assets		3,294	1,649
Gain on sale of operating fixed assets		(6,151)	(3,905)
Provision for gratuity		47,276	33,984
Provision for slow moving / obsolete stores and spares		6,000	6,000
Workers' Profit Participation Fund		115,775	66,627
Finance cost	36	987,037	762,165
Working capital changes	41.1	(134,732)	(965,910)
		<u>4,259,562</u>	<u>2,122,020</u>

## 41.1 Changes in working capital

### (Increase) / decrease in current assets:

Stores and spares	(310,189)	(174,442)
Stock-in-trade	(243,610)	(586,889)
Trade debts	138,391	(679,996)
Loans and advances	(6,318)	(27,308)
Trade deposits and short term prepayments	(688)	(3,041)
Other receivables	(21,891)	(1,269)
Tax refunds due from Government	(15,674)	24,931
	<u>(459,979)</u>	<u>(1,448,014)</u>

### Increase in current liabilities:

Trade and other payables	325,247	482,104
	<u>(134,732)</u>	<u>(965,910)</u>

## 42 RECONCILIATION OF MOVEMENT OF LIABILITIES AND EQUITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

Description	Liabilities		Total
	Long term Financing	Equity reserves	
	(Rupees in thousands)		
<b>Balance as at July 1, 2019</b>	4,182,885	4,718,750	8,901,635
Borrowings from Banking Companies	490,368	-	490,368
Deferred Grant	(18,989)	-	(18,989)
Borrowings from Director	650,000	-	650,000
Repayment to Banking Companies	(671,845)	-	(671,845)
Repayment to Directors and Associated Companies	(1,750,000)	-	(1,750,000)
Dividend paid on ordinary shares	-	(147,018)	(147,018)
Total equity related other changes	-	1,540,358	1,540,358
<b>Balance as at June 30, 2020</b>	<u>2,882,419</u>	<u>6,112,090</u>	<u>8,994,509</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

## 43 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:

	2020				2019			
	Chief Executive	Director	Executives	Total	Chief Executive	Director	Executives	Total
	(Rupees in thousands)							
Managerial remuneration	11,837	13,046	109,281	134,164	10,676	9,060	91,607	111,343
House rent	5,327	3,832	45,188	54,347	4,804	-	38,001	42,805
Fixed bonuses	1,973	-	15,187	17,160	1,780	-	12,891	14,671
Staff retirement benefits	3,721	-	22,778	26,499	2,875	-	16,993	19,868
Medical	1,184	1,302	10,928	13,414	1,068	900	9,161	11,129
Utilities	-	4,180	-	4,180	-	4,067	-	4,067
Others	8	-	4,356	4,364	8	-	3,534	3,542
Total	24,050	22,360	207,718	254,128	21,211	14,027	172,187	207,425
Number of persons	1	1	51	53	1	1	45	47

- b) Aggregate amount charged in these financial statements in respect of Directors' fee for attending Board and Audit Committee meetings amounted to Rs. 460,000 (2019: Rs. 440,000) and Rs. 320,000 (2019: Rs. 320,000) respectively. The Directors fees for attending Board, HR&R Committee and Audit Committee meetings were paid as prescribed in Articles of Association.
- 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

## 44 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:

Nature of transaction	Nature of Relation	Basis of Relation	2020 (Rupees in thousands)	2019
<b>Sale of goods, services and reimbursement of expenses</b>				
Merit Packaging Limited	Associated company	Common Director	1,561,813	1,695,705
Colgate Palmolive (Pakistan) Limited	Associated company	Common Director	668,082	652,349
Century Insurance Company Limited	Associated company	Common Director and 0.43% shares held	9,884	541
Cyber Internet Services (Private) Limited	Associated company	Common Director	1,670	1,247
<b>Purchase of goods, services and reimbursement of expenses</b>				
Century Insurance Company Limited	Associated company	Common Director and 0.43% shares held	156,030	162,352
Merit Packaging Limited	Associated company	Common Director	46,087	30,355
Lakson Business Solutions Limited	Associated company	Common Director	5,506	4,967
Hassanali and Gulbanoo Lakhani Foundation	Associated undertaking	Trustee	2,753	2,897
Princeton Travels (Private) Limited	Associated company	Common Director	9,077	18,560
SIZA Services (Private) Limited	Associated company	Common Director and 22.81% shares held	3,727	3,567
Cyber Internet Services (Private) Limited	Associated company	Common Director	5,599	2,814
SIZA (Private) Limited	Associated company	Common Director and 27.31% shares held	175	1,360
SIZA Foods (Private) Limited	Associated company	Common Director	386	402
Colgate Palmolive (Pakistan) Limited	Associated company	Common Director	258	148
Express Publications (Private) Limited	Associated company	Common Management	1,891	6,085
Sybird (Private) Limited	Associated company	Common Director	5,812	3,034
<b>Rent and other allied charges</b>				
Hassanali and Gulbanoo Lakhani Foundation	Associated undertaking	Trustee	7,020	6,389
SIZA (Private) Limited	Associated company	Common Director and 27.31% shares held	3,482	3,090
SIZA Services (Private) Limited	Associated company	Common Director and 22.81% shares held	653	614
SIZA Commodities (Private) Limited	Associated company	Common Director and 8.50% shares held	171	158
<b>Insurance agency commission</b>				
Century Insurance Company Limited	Associated company	Common Director and 0.43% shares held	13,892	14,294
<b>Donation</b>				
The Layton Rahmatullah Benevolent Trust	Donee	Trustee	500	500
Pakistan Special Olympics	Related Party	Relative of Director Trustee	1,056	-
Hassanali and Gulbanoo Lakhani Foundation	Associated undertaking	Trustee	1,338	-
<b>Mark-up paid</b>				
SIZA Commodities (Private) Limited	Associated company	Common Director and 8.50% shares held	147,085	104,083
SIZA (Private) Limited	Associated company	Common Director and 27.31% shares held	124,429	45,354
SIZA Services (Private) Limited	Associated company	Common Director and 22.81% shares held	33,593	18,142
Mr. Iqbal Ali Lakhani	Director	Directorship	3,598	62,937
<b>Long term loan obtained</b>				
SIZA Commodities (Private) Limited	Associated company	Common Director and 8.50% shares held	-	100,000
SIZA (Private) Limited	Associated company	Common Director and 27.31% shares held	650,000	625,000
SIZA Services (Private) Limited	Associated company	Common Director and 22.81% shares held	-	250,000



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

Nature of transaction	Nature of Relation	Basis of Relation	Note	2020 (Rupees in thousands)	2019
<b>Long term loan paid</b>					
SIZA Commodities (Private) Limited	Associated company	Common Director and 8.50% shares held		450,000	-
SIZA (Private) Limited	Associated company	Common Director and 27.31% shares held		650,000	-
Mr. Iqbal Ali Lakhani	Director	Directorship		650,000	-
<b>Redemption Of Preference Shares</b>					
Premier Fashions (Private) Limited	Associated company	Common Director and 8.97% shares held		-	76,268
SIZA (Private) Limited	Associated company	Common Director and 27.31% shares held		-	532,995
SIZA Commodities (Private) Limited	Associated company	Common Director and 8.50% shares held		-	91,198
SIZA Services (Private) Limited	Associated company	Common Director and 22.81% shares held		-	200,753
<b>Dividend on ordinary shares</b>					
SIZA (Private) Limited	Associated company	Common Director and 27.31% shares held		40,150	30,113
SIZA Services (Private) Limited	Associated company	Common Director and 22.81% shares held		32,615	24,461
SIZA Commodities (Private) Limited	Associated company	Common Director and 8.50% shares held		12,500	9,375
Premier Fashions (Private) Limited	Associated company	Common Director and 8.97% shares held		13,189	9,293
Accuray Surgicals Limited	Associated company	Common Director and 1.26% shares held		1,853	1,390
Century Insurance Company Limited	Associated company	Common Director and 0.43% shares held		629	472
Directors , CEO & their Spouses				127	61
<b>Dividend on Preference Shares</b>					
SIZA (Private) Limited	Associated company	Common Director and 27.31% shares held		-	51,847
SIZA Services (Private) Limited	Associated company	Common Director and 22.81% shares held		-	19,528
SIZA Commodities (Private) Limited	Associated company	Common Director and 8.50% shares held		-	8,871
Premier Fashions (Private) Limited	Associated company	Common Director and 8.97% shares held		-	7,418
<b>Others</b>					
Contribution to Staff Retirement Benefit Plans					
Remuneration and other benefits	Employees Fund Key Management Personnel			132,666	88,853
			44.2	254,128	207,425
<b>44.1 Year end balances</b>					
Receivable from related parties			12.1 & 15.1	500,723	610,699
Payable to related parties			26.1	77,601	95,247
Payable to Retirement Benefit Plan				91,259	128,251
Long-term financing from associated undertaking / Director				1,525,000	2,625,000

**44.2** The details of compensation paid to key management personnel are shown under the heading of "Remuneration of Chief Executive, Directors and Executive (note 41)". There are no transactions with key management personnel other than under their terms of employment.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

## 45 CAPACITY AND PRODUCTION - TONNES

	2020		2019	
	Annual capacity on three shifts	Actual production	Annual capacity on three shifts	Actual production
Paper and paper board produced	240,000	226,505	240,000	227,602
Paper and paper board conversion	30,000	28,896	30,000	27,043

The Company has achieved full capacity utilization of its Packaging Board machines. However, the Company could not achieve installed capacity of its Paper and Uncoated Board Machines due to market conditions.

## 46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 46.1 Risk management policies

The Company's objective in managing risks is the creation and protection of shareholders' 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 Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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

### 46.2 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. 3,188.60 million (2019: Rs. 3,417.61 million), the financial assets which are subject to credit risk amounted to Rs. 3,184.83 million (2019: Rs. 3,415.05 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

	2020	2019
	(Rupees in thousands)	
Loans and deposits	9,549	7,529
Trade debts	2,907,929	3,046,320
Other receivables	33,953	12,062
Bank balances	233,392	349,138
	<u>3,184,823</u>	<u>3,415,049</u>

The aging of trade receivable at the reporting date is:

Not past due	2,321,260	2,333,240
Past due 1-30 days	380,699	658,445
Past due 30-90 days	153,579	52,176
Past due 90 days	52,391	2,459
	<u>2,907,929</u>	<u>3,046,320</u>

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.

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 A 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.

### 46.3 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, 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)						
<b>2020</b>							
Long-term financing	2,901,406	3,374,294	522,303	497,499	2,141,213	160,969	52,310
Trade and other payables	1,753,890	1,753,890	1,753,890	-	-	-	-
Interest and mark-up accrued	60,125	60,125	60,125	-	-	-	-
Short-term borrowings	3,616,772	3,620,283	3,620,283	-	-	-	-
	<u>8,332,193</u>	<u>8,808,592</u>	<u>5,956,601</u>	<u>497,499</u>	<u>2,141,213</u>	<u>160,969</u>	<u>52,310</u>
<b>2019</b>							
Long-term financing	4,182,885	4,874,109	1,160,953	524,095	918,642	2,221,661	48,758
Trade and other payables	2,017,438	2,017,438	2,017,438	-	-	-	-
Interest and mark-up accrued	96,526	96,526	96,526	-	-	-	-
Short-term borrowings	4,247,267	4,341,236	4,341,236	-	-	-	-
	<u>10,544,116</u>	<u>11,329,309</u>	<u>7,616,153</u>	<u>524,095</u>	<u>918,642</u>	<u>2,221,661</u>	<u>48,758</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

## 46.4 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. The Company is not exposed to price risk.

### a) Currency risk

Foreign currency risk is the risk that the future cash flow 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:

	2020	2019
	(Rupees in thousands)	
Foreign bills payable	552,067	686,757
Outstanding letter of credits	1,661,350	1,613,078
Net exposure	<u>2,213,417</u>	<u>2,299,835</u>

The following significant exchange rates have been applied.

	Average rate		Reporting date rate	
	2020	2019	2020	2019
	Rupees			
USD to PKR	158.56	135.91	168.20	160.00

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

	(Rupees in thousands)			
Effect on profit	148,648	138,703	157,685	163,288

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

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

### b) Interest rate risk

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

	2020	2019	2020	2019
	Effective rate		Carrying amount	
	(In percent)		(Rupees in thousands)	
<b>Financial liabilities</b>				
Variable rate instruments				
Long term loans	<b>1.50 to 13.91</b>	2.75 to 11.19	<b>2,882,419</b>	4,182,885
Short term borrowings	<b>6.83 to 12.94</b>	9.03 to 10.28	<b>3,616,772</b>	4,247,267

## Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increase / (decrease) 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 or loss (post tax)	
	100 bps increase	100 bps decrease
	(Rupees in thousands)	
<b>As at June 30, 2020</b>		
Cash flow sensitivity - Variable rate financial liabilities	<u>(46,144)</u>	<u>46,144</u>
<b>As at June 30, 2019</b>		
Cash flow sensitivity - Variable rate financial liabilities	<u>(59,854)</u>	<u>59,854</u>

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

	2020	2019
	(Rupees in thousands)	
<b>46.5 Financial instruments by category</b>		
<b>Financial assets at amortised cost</b>		
Loans and deposits	<b>9,549</b>	7,529
Trade debts	<b>2,907,929</b>	3,046,320
Other receivables	<b>33,953</b>	12,062
Cash and bank balances	<b>237,166</b>	351,700
	<u><b>3,188,597</b></u>	<u>3,417,611</u>
<b>Financial liabilities at amortised cost</b>		
Long term financing	<b>2,901,408</b>	4,182,885
Lease liabilities	<b>23,344</b>	-
Trade and other payables	<b>1,753,890</b>	2,017,438
Interest and mark-up accrued	<b>60,125</b>	96,526
Short-term borrowings	<b>3,616,772</b>	4,247,267
	<u><b>8,355,539</b></u>	<u>10,544,116</u>

## 47 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset either directly that is, derived from prices.
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs.

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

As of the reporting date, none of the financial instruments of the Company are carried at fair value.

The carrying values of all other financial assets and liabilities reflected in the financial statements approximate their fair values.

## 48 CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitor the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitor the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

The Company's objectives when managing capital are:

- (i) 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, and
- (ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The management at all times seeks to earn returns higher than its weighted average cost of capital, by increasing efficiencies in operations, so as to increase profitability.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

	2020	2019
	(Rupees in thousands)	
The proportion of debt to equity at the year end was:		
Total Borrowings (notes 26 & 21)	6,499,191	7,758,701
Balances with banks (note 18)	<u>(168,751)</u>	<u>(23,711)</u>
Net debt	6,330,440	7,734,990
Total equity	7,582,274	6,188,934
Total capital	<u>13,912,714</u>	<u>13,923,924</u>
Gearing ratio	<u>0.46</u>	<u>0.56</u>

## 49 OTHER NON FINANCIAL INFORMATION

In March 2020, the World Health Organization (“WHO”) declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, “stay-at-home” or “shelter-in-place” orders, social distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

The COVID-19 pandemic and associated impacts on economic activity had certain effect on the operational and financial condition of the Company for the year ended June 30, 2020 due to overall slowdown in economic activity and continuity of business operations. However, to reduce the impact on the performance of the Company, government have introduced a host of measures on both the fiscal and economic fronts by issuing certain circulars and notifications from time to time.

The management of the Company is closely monitoring the situation, and in response to the developments, taking all possible precaution and measures to safeguard health and safety of employees and other stakeholders, and also implemented a number of measures to minimize the impact to the extent possible.

## 50 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on August 25, 2020 by the Board of Directors of the Company.

## 51. NON-ADJUSTING EVENT AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

The Board of Directors in their meeting held on August 25, 2020 has proposed the final Cash dividend of 15% (i.e. Rs. 1.50 per share) amounting to Rs. 220.53 million (2019: Rs.147.02 million) and issue of Bonus shares 20% in the proportion of one (1) share for every five (5) shares held amounting to Rs.294.04 million (2019: Rs. Nil). Further the Board has proposed a transfer of Rs. 1,000 million from Un-appropriated profits to General Reserve subjects to approval of members at Annual General Meeting to be held on October 07, 2020. The effect of such dividend, bonus issue and transfer shall be accounted for in the financial statements for the year ending June 30, 2021.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

## 52 NUMBER OF EMPLOYEES

The number of employees as at year end was 1,640 (2019: 1,652) and average number of employees during the year was 1,646 (2019: 1,652).

## 53 GENERAL

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

53.2 Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and for better presentation. However, no significant reclassification has been made during the year.



Aftab Ahmad  
Chief Executive Officer



Tasleemuddin Ahmed Batlay  
Director



Muhammad Rashid Dastagir  
Chief Financial Officer



# PATTERN OF SHAREHOLDING

As at June 30, 2020

Incorporation Number K-54/8182 of 1984  
CUIN Registration No.: 0012021

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
509	1	100	9,472
334	101	500	120,288
205	501	1,000	182,207
430	1,001	5,000	1,129,425
127	5,001	10,000	999,481
57	10,001	15,000	720,160
49	15,001	20,000	885,462
25	20,001	25,000	596,265
16	25,001	30,000	445,113
15	30,001	35,000	497,273
12	35,001	40,000	459,375
9	40,001	45,000	381,529
8	45,001	50,000	393,993
7	50,001	55,000	375,375
1	55,001	60,000	58,500
6	60,001	65,000	376,591
6	65,001	70,000	410,862
5	70,001	75,000	369,500
7	75,001	80,000	546,000
3	80,001	85,000	254,000
2	85,001	90,000	175,750
4	90,001	95,000	370,515
9	95,001	100,000	894,425
1	100,001	105,000	101,000
2	105,001	110,000	216,000
3	110,001	115,000	337,413
1	115,001	120,000	120,000
2	120,001	125,000	243,500
2	125,001	130,000	251,046
1	135,001	140,000	138,000
1	140,001	145,000	142,031
2	150,001	155,000	306,499
1	155,001	160,000	155,500
1	160,001	165,000	161,000
2	165,001	170,000	333,100
1	170,001	175,000	172,530
2	175,001	180,000	354,855
1	180,001	185,000	183,500
3	195,001	200,000	596,200
1	205,001	210,000	210,000
1	210,001	215,000	210,410
1	220,001	225,000	224,300
1	235,001	240,000	237,500
3	245,001	250,000	745,500
1	275,001	280,000	277,000
1	285,001	290,000	287,500
1	290,001	295,000	292,000
2	300,001	305,000	608,500

# PATTERN OF SHAREHOLDING

As at June 30, 2020

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
1	325,001	330,000	325,900
1	330,001	335,000	330,600
2	340,001	345,000	686,500
1	345,001	350,000	350,000
1	350,001	355,000	350,500
1	360,001	365,000	360,600
1	490,001	495,000	492,000
1	505,001	510,000	507,500
1	520,001	525,000	521,000
1	625,001	630,000	629,495
1	665,001	670,000	666,000
2	700,001	705,000	1,403,236
1	720,001	725,000	722,500
1	725,001	730,000	729,100
1	730,001	735,000	731,000
1	820,001	825,000	824,550
1	1,005,001	1,010,000	1,005,100
1	1,055,001	1,060,000	1,055,500
1	1,305,001	1,310,000	1,309,088
1	1,345,001	1,350,000	1,346,562
1	1,630,001	1,635,000	1,630,950
1	1,850,001	1,855,000	1,853,386
1	2,425,001	2,430,000	2,428,550
1	2,930,001	2,935,000	2,931,100
1	3,250,001	3,255,000	3,253,537
1	4,560,001	4,565,000	4,563,931
1	12,495,001	12,500,000	12,499,634
1	13,185,001	13,190,000	13,188,648
1	32,610,001	32,615,000	32,614,961
1	40,150,001	40,155,000	40,150,472
<b>1,916</b>			<b>147,018,345</b>

# CATEGORIES OF SHAREHOLDING

As at June 30, 2020

Shareholders' Category	Shares Held	Percentage
Directors, CEO, and their spouse and minor children.	101,749	0.07
Associated Companies, undertakings and related parties.	100,963,114	68.67
NIT and ICP	4,564,231	3.11
Banks, Development Financial Institutions, Non Banking Financial Institutions.	251,018	0.17
Modarabas and Mutual Funds	10,842,055	7.38
Insurance Companies	3,363,537	2.28
Share holders holding 10% or more	72,765,433	49.49
General Public	19,429,845	13.22
Others	7,502,796	5.10

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

# DETAILS OF PATTERN OF SHAREHOLDING

As at June 30, 2020

Shareholders' Category	Number Of Shares Held	
<b>ASSOCIATED COMPANIES / UNDERTAKINGS AND RELATED PARTIES</b>		
SIZA Services (Private) Limited	32,614,961	
SIZA (Private) Limited	40,150,472	
Premier Fashions (Private) Limited	13,188,648	
SIZA Commodities (Private) Limited	12,499,634	
Accuray Surgicals Limited	1,853,386	
Century Insurance Company Limited	629,495	
Sultan Ali Lakhani	1,767	
Shaista Sultan Ali Lakhani	303	
Fatima Lakhani	189	
Babar Ali Lakhani	18,901	
Bilal Ali Lakhani	151	
Danish Ali Lakhani	2,850	
Anika Amin Lakhani	1,242	
Natasha Lakhani	1,115	
<b>MUTUAL FUNDS</b>		
CDC - Trustee ABL Stock Fund	666,000	
CDC - Trustee Al Ameen Islamic Dedicated Equity Fund	151,499	
CDC - Trustee Al Meezan Mutual Fund	350,000	
CDC - Trustee Al Ameen Shariah Stock Fund	1,346,562	
CDC - Trustee Alfalah GHP Alpha Fund	75,500	
CDC - Trustee Alfalah GHP Islamic Stock Fund	161,000	
CDC - Trustee Alfalah GHP Stock Fund	112,500	
CDC - Trustee Alfalah GHP Value Fund	52,000	
CDC - Trustee First Habib Stock Fund	20,000	
CDC - Trustee JS Islamic Fund	80,000	
CDC - Trustee JS Large Capital Fund	210,000	
CDC - Trustee JS Pension Savings Fund-Equity Account	106,500	
CDC - Trustee Meezan Asset Allocation Fund	68,000	
CDC - Trustee Meezan Balanced Fund	95,000	
CDC - Trustee Meezan Islamic Fund	341,500	
CDC - Trustee Meezan Tahaffuz Pension Fund - Equity Sub Fund	350,500	
CDC - Trustee National Investment (Unit) Trust	4,563,931	
CDC - Trustee NBP Balanced Fund	90,400	
CDC - Trustee NBP Sarmaya Izafa Fund	198,500	
CDC - Trustee NBP Stock Fund	2,931,100	
CDC - Trustee UBL Asset Allocation Fund	80,000	
CDC - Trustee UBL Dedicated Equity Fund	13,351	
CDC - Trustee UBL Retirement Savings Fund - Equity Sub Fund	304,700	
CDC - Trustee UBL Stock Advantage Fund	1,309,088	
CDC - Trustee Unit Trust of Pakistan	303,800	
CDC - Trustee - Meezan Dedicated Equity Fund	45,000	
CDC - Trustee Al Ameen Islamic Ret. Sav. Fund-Equity Sub Fund	360,600	
M/s. First Capital Mutual Fund Limited	455	
MCBFSL - Trustee JS Growth Fund	731,000	
MCBFSL - Trustee JS Value Fund	287,500	
<b>DIRECTORS, CEO, THEIR SPOUSES AND MINOR CHILDREN</b>		
Iqbal Ali Lakhani	Chairman	2,167
Amin Mohammed Lakhani	Director	1,606
Anushka Lakhani	Director	2,341
Tasleemuddin A. Batlay	Director	3,417
Shahid Ahmed Khan	Director	1,724
Aftab Ahmad	Director & CEO	42,718
Kemal Shoab	Director	718
Engr. M. Abdul Jabbar	Nominee Director (NIT)	NIL
Ronak Iqbal Lakhani W/o Iqbal Ali Lakhani		189
Saira Amin Lakhani W/o Amin Mohammed Lakhani		189
Roohi Aftab W/o Aftab Ahmad		46,680
<b>EXECUTIVE</b>		20
<b>PUBLIC SECTOR COMPANIES AND CORPORATIONS</b>		3,253,537
<b>BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARABA AND PENSION FUNDS</b>		1,199,554
<b>SHAREHOLDERS HOLDING 5% OR MORE VOTING RIGHTS</b>		
SIZA Services (Private) Limited		32,614,961
SIZA (Private) Limited		40,150,472
Premier Fashions (Private) Limited		13,188,648
SIZA Commodities (Private) Limited		12,499,634

# Form of Proxy

I/We \_\_\_\_\_  
of \_\_\_\_\_  
a member of **CENTURY PAPER & BOARD MILLS LIMITED**  
hereby appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing him/her \_\_\_\_\_  
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 7th day of October 2020 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2020.

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

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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## مختار نامہ (پراکسی فارم)

میں/ہم \_\_\_\_\_ ساکن  
 بحیثیت رکن (ممبر) سینجری پیپرائنڈ بورڈ ملز لمیٹڈ مقرر کرتا / کرتی ہوں / کرتے ہیں مسلمی / مسماة \_\_\_\_\_ ساکن  
 کو یا ان کی غیر حاضری میں مسلمی / مسماة \_\_\_\_\_ ساکن  
 کو جو خود بھی سینجری پیپرائنڈ بورڈ ملز لمیٹڈ کا رکن ہے کہ وہ بطور میرا / ہمارا مختار نامہ (پراکسی) سینجری پیپرائنڈ بورڈ ملز لمیٹڈ کے سالانہ اجلاس عام جو ۷ اکتوبر ۲۰۲۰ کو منعقد ہو رہا ہے اس کے کسی ملتوی شدہ اجلاس میں شرکت کرے اور وہ میری / ہماری جگہ میری / ہماری طرف سے حق رائے دہی استعمال کرے۔

مورخہ \_\_\_\_\_ ۲۰۲۰ کو میرے/ہمارے دستخط سے جاری ہوا۔

فولیو نمبر	سی ڈی سی کھاتہ نمبر	حصص کی تعداد

دستخط

گواہ نمبر ۱ \_\_\_\_\_ دستخط  
 نام \_\_\_\_\_  
 کمپیوٹرائزڈ قومی شناختی کارڈ نمبر \_\_\_\_\_  
 پتہ \_\_\_\_\_

گواہ نمبر ۲ \_\_\_\_\_ دستخط  
 نام \_\_\_\_\_  
 کمپیوٹرائزڈ قومی شناختی کارڈ نمبر \_\_\_\_\_  
 پتہ \_\_\_\_\_

### ہدایات:

- مختار (پراکسی) کا کمپنی کا رکن (ممبر) ہونا ضروری ہے۔
- ممبر (رکن) کے دستخط، نمونہ شدہ دستخط / اندراج شدہ دستخط سے مماثلت ہونا ضروری ہے۔
- سی ڈی سی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر کو مختار نامہ (پراکسی فارم) کے ہمراہ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقل منسلک کرنا ضروری ہے۔ کارپوریٹ ادارے کے نمائندوں کو معمول کے مطابق دستاویزات ساتھ لانا ضروری ہے۔
- مختار نامہ (پراکسی فارم) مکمل پُر شدہ کمپنی کے رجسٹرڈ آفس میں اجلاس کے مقرر وقت سے کم از کم ۲۸ گھنٹے قبل جمع کرنا ضروری ہے۔

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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/Shares Office & Regional Sales Office (South)**

Lakson Square, Building No.2, Sarwar Shaheed Road,  
Karachi - 74200, Pakistan.

Phone: (021) 38400000 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, N-5, District Kasur,  
Pakistan. Phone: (049) 4511464-5, 4510061-2 Fax: (049)  
4510063

**Email:** [info@centurypaper.com.pk](mailto:info@centurypaper.com.pk)

**Website:** [www.centurypaper.com.pk](http://www.centurypaper.com.pk)