



# Century Paper & Board Mills Limited



Half Yearly Report  
**December 2014**

Clean - Green - Sustainable

# Contents

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## Corporate Information

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### Board of Directors

Iqbal Ali Lakhani - Chairman  
Zulfiqar Ali Lakhani  
Amin Mohammed Lakhani  
Tasleemuddin Ahmed Batlay  
Shahid Ahmed Khan  
Kemal Shoaib  
Muhammad Imran Rafiq - Nominee Director (NIT)  
Aftab Ahmad - Chief Executive Officer

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### Advisor

Sultan Ali Lakhani

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### Audit Committee

Kemal Shoaib - Chairman  
Zulfiqar Ali Lakhani  
Amin Mohammed Lakhani  
Tasleemuddin Ahmed Batlay

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### Human Resource and Remuneration Committee

Zulfiqar Ali Lakhani - Chairman  
Tasleemuddin Ahmed Batlay  
Aftab Ahmad

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### Chief Financial Officer

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

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### Company Secretary

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

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### Head Office and Registered Office

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

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### Lahore Office

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

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### Mills

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

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### External Auditors

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

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### Shares Registrar

FAMCO Associates (Private) Limited  
8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S. Shahra-e-Faisal, Karachi.  
Phone: (021) 34380101-2 Fax: (021) 34380106  
Email: info.shares@famco.com.pk  
Website: www.famco.com.pk

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## Directors' Review

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On behalf of the Board of Directors I am pleased to present the performance review of the Company together with the un-audited financial statements for the half year ended December 31, 2014.

### **Company's Operating Performance**

The production for the period under review (July-December 2014) was 78,579 metric tons as compared to 105,433 metric tons of the comparable period of last year. The capacity utilization for the period under review stood at 65% as compared to 80% capacity utilization of the corresponding period of last year. The lower production in the period under review from the comparable period production was mainly due to the energy crisis with virtually no supply of gas for the first quarter which was escalated to even severer energy shortfall in the second quarter. The market was also not fully supportive to absorb the additional cost of alternate fuel; hence there were shutdowns which is the main reason of low production during the period under review.

Due to the above restraints, compared with production of 44,602 metric tons of the previous quarter (July-September 2014) the current quarter (October-December 2014) production was 33,977 metric tons.

### **Sales Review**

Due to fall in international prices of Paper & Board coupled with downward trend in dollar; there was upward trend in imports of Paper & Board which always in direct competition with Company's product. The production and sales of the Company's product were not economical on alternate fuels, this coupled with imported paperboard at dumped prices led to increase in the sale of imported paperboard and consequently the sales of Company's paperboard was not able to meet the sales of the comparable period of last year.

Notwithstanding the above, your Company was able to sell 76,156 metric tons of its products for the period under review (July-December 2014) which is 20,165 metric tons less as compared to 96,321 metric tons of the comparable period of last year.

The current quarter (October-December 2014) sales of 36,290 metric tons were lower than the previous quarter (July-September 2014) sales of 39,866 metric tons.

In terms of value, the net sales of the Company for the period under review (July-December 2014) were Rs. 6.561 billion as compared to Rs.8.127 billion of the comparable period of last year. This decrease in sales value was partially due to the price adjustment made by the Company to match the imported prices and mainly due to the decreased sales volume.

### **Financial Performance**

There is an overall decline in gross and net operating profit figures from the comparable period of last year. The gross profit earned by the Company for the period under review (July-December 2014) stood at Rs. 462 million as compared to Rs. 1,456 million of the comparable period of last year. The net operating profit for the period under review (July-December 2014) is recorded at Rs. 229 million as compared to Rs. 1,164 million of the comparable period of last year.

## Directors' Review

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Financial cost has increased by Rs. 45 million and is recorded at Rs. 342 million for the period under review as compared to Rs. 297 million of the comparable period of last year.

The drop in capacity utilization from 80% of the comparable period to 65% of period under review resulting from energy crisis has led to under-absorption of fixed cost which has adversely impacted the profitability.

The Company has posted a loss before tax of Rs. 113 million as compared to profit before tax of Rs. 867 million for the corresponding period of last year. After accounting for the minimum turnover tax and deferred taxation the Company is posting a loss of Rs. 75 million for the period under review as compared to profit of Rs. 573 million for the comparable period of last year.

### Earnings per Share

The basic loss per share is reported at Rs. 0.84 as compared to basic earnings per share of Rs. 3.74 of the comparable period of last year. There is no dilution effect on the earnings per share for the period under review, the comparable period diluted earnings per shares was Rs. 3.16.

### Near Term Outlook

The curtailment of gas to 33% from the start of the financial year and non-availability of gas from the mid of November 2014 coupled with the load shedding of electricity on the national grid has impacted the sales and profits of the Company for the period under review and it is expected that they will continue to do so in the ensuing quarter also.

The Company will make an effort to sustain the production and sales in the third quarter. It is expected that the drop in the prices of black oil and coal will give some relief in the cost of production and consequently the bottom line. However the imposition of regulatory duty on furnace oil will make it difficult to obtain the much needed relief.

### Acknowledgments

Your Directors appreciate the continued support and commitment of all the stakeholders. They are especially thankful to the Banks and Financial Institutions. They wish to acknowledge, hard and sincere work of staff and employees of the Company.

On behalf of the Board of Directors



**Aftab Ahmad**  
Chief Executive Officer

Karachi: February 13, 2015



# Independent Auditors Report on Review of

## Condensed Interim Financial Information to the Members

### Introduction

We have reviewed the accompanying condensed interim balance sheet of **CENTURY PAPER & BOARD MILLS LIMITED** ("the Company") as at December 31, 2014 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at and for the six months period ended December 31, 2014 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

The figures for the quarters ended December 31, 2014 and December 31, 2013 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Karachi:  
Dated : February 13, 2015

  
**BDO EBRAHIM & CO.,**  
Chartered Accountants

Engagement Partner: Qasim E. Causer

# Condensed Interim Balance Sheet

as at December 31, 2014 (Un-audited)

	Note	December 31, 2014	June 30, 2014 (Audited)
(Rupees in thousands)			
<b>ASSETS</b>			
<b>NON - CURRENT ASSETS</b>			
Property, plant and equipment	6	7,823,281	8,137,746
Operating fixed assets		651,676	202,525
Capital work in progress	7	8,474,957	8,340,271
Intangible assets		1,845	2,712
Long-term loans and advances		8,654	2,845
Long-term deposits		2,829	2,829
		8,488,285	8,348,657
<b>CURRENT ASSETS</b>			
Stores and spares	8	1,080,173	910,456
Stock-in-trade	9	2,100,285	2,563,413
Trade debts (unsecured - considered good)		1,197,383	1,006,753
Loans and advances (unsecured - considered good)		35,634	22,745
Trade deposits and short-term prepayments		53,196	3,312
Other receivables (unsecured - considered good)		3,420	1,988
Tax refunds due from Government		236,599	141,291
Taxation - net		101,965	111,347
Cash and bank balances		135,761	68,975
		4,944,416	4,830,280
<b>TOTAL ASSETS</b>		<b>13,432,701</b>	<b>13,178,937</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital 410,000,000 (June 30, 2014: 410,000,000) shares of Rs. 10 each		4,100,000	4,100,000
Issued, subscribed and paid-up capital 147,018,345 (June 30, 2014: 147,018,345) ordinary shares of Rs. 10 each		1,470,184	1,470,184
90,121,351 (June 30, 2014: 90,121,351) preference shares of Rs. 10 each	10	901,214	901,214
Reserves		2,371,398	2,371,398
		3,298,578	3,373,292
		5,669,976	5,744,690
<b>NON - CURRENT LIABILITIES</b>			
Long-term financing	11	3,325,000	3,347,424
Deferred taxation		558,235	661,069
		3,883,235	4,008,493
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	838,190	972,831
Interest and mark-up accrued	13	105,779	65,478
Short-term borrowings	14	2,221,885	1,605,021
Current portion of long-term financing	11	713,636	782,424
		3,879,490	3,425,754
<b>CONTINGENCIES AND COMMITMENTS</b>			
	15		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>13,432,701</b>	<b>13,178,937</b>

The annexed notes from 1 to 25 form an integral part of this condensed interim financial information.



**AFTAB AHMAD**  
Chief Executive Officer



**TASLEEMUDDIN AHMED BATLAY**  
Director



## Condensed Interim Profit and Loss Account

for the period ended December 31, 2014 (Un-audited)

	Note	Half year ended		Quarter ended	
		December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
(Rupees in thousands)					
Sales - net	16	6,560,916	8,127,397	3,071,259	3,929,171
Cost of sales	17	(6,098,672)	(6,671,110)	(3,014,804)	(3,367,409)
Gross profit		462,244	1,456,287	56,455	561,762
General and administrative expenses		(173,995)	(172,120)	(85,485)	(92,230)
Selling expenses		(21,017)	(19,863)	(10,201)	(10,032)
Distribution expenses		(37,540)	(47,209)	(17,483)	(24,647)
Other operating charges					
Workers' profit participation fund		-	(46,587)	5,469	(14,251)
Workers' welfare fund		-	(17,703)	2,078	(5,415)
Others		(38,219)	(36,187)	(25,695)	(30,930)
		(38,219)	(100,477)	(18,148)	(50,596)
Other income		37,663	47,503	18,507	31,748
Operating profit		229,136	1,164,121	(56,355)	416,005
Finance cost		(341,941)	(296,677)	(158,264)	(150,651)
(Loss) / profit before taxation		(112,805)	867,444	(214,619)	265,354
Taxation					
Current		(65,609)	(81,274)	(30,712)	(39,292)
Prior		866	-	866	-
Deferred		102,834	(213,659)	102,834	(50,659)
		38,091	(294,933)	72,988	(89,951)
(Loss) / profit for the period		(74,714)	572,511	(141,631)	175,403
Basic (loss) / earnings per share (Rupees)	18.1	(0.84)	3.74	(1.13)	0.94
Diluted (loss) / earnings per share (Rupees)	18.2	(0.84)	3.16	(1.13)	0.86

The annexed notes from 1 to 25 form an integral part of this condensed interim financial information.

  
AFTAB AHMAD  
Chief Executive Officer

  
TASLEEMUDDIN AHMED BATLAY  
Director

## Condensed Interim Statement of Comprehensive Income

*for the period ended December 31, 2014 (Un-audited)*

	Half year ended		Quarter ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	(Rupees in thousands)			
(Loss) / profit for the period	<b>(74,714)</b>	572,511	<b>(141,631)</b>	175,403
<b>Other comprehensive income</b>				
Items that will not be reclassified in Profit and Loss account				
Remeasurement of defined benefit liability - net	-	(12,430)	-	(6,215)
Tax impact	-	4,102	-	2,051
	-	(8,328)	-	(4,164)
Total comprehensive (loss) / income for the period	<u><b>(74,714)</b></u>	<u>564,184</u>	<u><b>(141,631)</b></u>	<u>171,239</u>

The annexed notes from 1 to 25 form an integral part of this condensed interim financial information.

  
**AFTAB AHMAD**  
Chief Executive Officer

  
**TASLEEMUDDIN AHMED BATLAY**  
Director



## Condensed Interim Statement of Cash Flows

*for the period ended December 31, 2014 (Un-audited)*

	Note	December 31, 2014	December 31, 2013
		(Rupees in thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	19	714,482	886,414
Finance cost paid		(301,640)	(280,333)
Taxes paid - net		(169,322)	(205,745)
Gratuity paid		(14,999)	(10,218)
Workers' profit participation fund paid		(49,087)	(75,507)
Long-term loans and advances - net		(5,809)	(2,961)
Net cash generated from operating activities		<u>173,625</u>	311,650
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(637,130)	(76,358)
Proceeds from sale of property, plant and equipment		4,640	1,747
Net cash used in investing activities		<u>(632,490)</u>	(74,611)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Redemption of preference shares		-	(450,607)
Proceeds from long-term financing from banking companies		300,000	-
Repayment of long-term financing from banking companies		(391,213)	(128,712)
Dividend paid on preference shares		-	(236,992)
Net cash used in financing activities		<u>(91,213)</u>	(816,311)
Net decrease in cash and cash equivalents		<u>(550,078)</u>	(579,272)
Cash and cash equivalents at the beginning of the period		<u>(1,536,046)</u>	(1,336,394)
Cash and cash equivalents at the end of the period		<u>(2,086,124)</u>	<u>(1,915,666)</u>
<b>CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		135,761	114,499
Short-term borrowings		<u>(2,221,885)</u>	<u>(2,030,165)</u>
		<u>(2,086,124)</u>	<u>(1,915,666)</u>

The annexed notes from 1 to 25 form an integral part of this condensed interim financial information.

  
**AFTAB AHMAD**  
 Chief Executive Officer


  
**TASLEEMUDDIN AHMED BATLAY**  
 Director

## Condensed Interim Statement of Changes in Equity

*for the period ended December 31, 2014 (Un-audited)*

	Issued, subscribed and paid-up capital		Capital				Reserves			Sub-total	Total	
			Ordinary share capital	Preference share capital	Share premium	Merger reserve	Redemption reserve	Total	Revenue			
									General reserve			Unappropriated profit
Balance as at July 1, 2013 (Restated)	1,060,252	2,102,832	1,047,935	7,925	480,647	1,536,507	313,226	806,279	1,119,505	2,656,012	5,819,096	
(Rupees in thousands)												
<b>Transactions with owners</b>												
15,903,770 ordinary shares of Rs. 10/- each issued as fully paid bonus shares	159,038	-	(159,038)	-	-	(159,038)	-	-	-	(159,038)	-	
Redemption of preference shares	-	(450,607)	-	-	-	-	-	-	(236,992)	(236,992)	(450,607)	
Dividend paid on preference shares	-	-	-	-	-	-	-	(236,992)	-	(236,992)	(236,992)	
Transfer to redemption reserve	159,038	(450,607)	(159,038)	-	-	(159,038)	-	(236,992)	(236,992)	(396,030)	(687,599)	
	-	-	-	-	450,607	450,607	-	(450,607)	(450,607)	-	-	
Profit for the period	-	-	-	-	-	-	-	572,511	572,511	572,511	572,511	
Remeasurement of defined benefit liability -net	-	-	-	-	-	-	-	(8,328)	(8,328)	(8,328)	(8,328)	
Total comprehensive income for the period ended December 31, 2013	-	-	-	-	-	-	-	564,183	564,183	564,183	564,183	
<b>Balance as at December 31, 2013</b>	<b>1,219,290</b>	<b>1,652,225</b>	<b>888,897</b>	<b>7,925</b>	<b>931,254</b>	<b>1,828,076</b>	<b>313,226</b>	<b>682,863</b>	<b>996,089</b>	<b>2,824,165</b>	<b>5,695,680</b>	
Balance as at July 1, 2014	1,470,184	901,214	1,822,122	7,925	931,254	2,761,301	313,226	298,765	611,991	3,373,292	5,744,690	
Remeasurement of defined benefit liability -net	-	-	-	-	-	-	-	-	-	-	-	
Loss for the period	-	-	-	-	-	-	-	(74,714)	(74,714)	(74,714)	(74,714)	
Total comprehensive income for the period ended December 31, 2014	-	-	-	-	-	-	-	(74,714)	(74,714)	(74,714)	(74,714)	
<b>Balance as at December 31, 2014</b>	<b>1,470,184</b>	<b>901,214</b>	<b>1,822,122</b>	<b>7,925</b>	<b>931,254</b>	<b>2,761,301</b>	<b>313,226</b>	<b>224,051</b>	<b>537,277</b>	<b>3,298,578</b>	<b>5,669,976</b>	

The annexed notes from 1 to 25 form an integral part of these condensed interim financial information.

  
**AFTAB AHMAD**  
 Chief Executive Officer

  
**TASLEEMUDDIN AHMED BATLAY**  
 Director

HALF YEARLY REPORT DECEMBER 2014



# Notes to the Condensed Interim Financial Information

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for the period ended December 31, 2014 (Un-audited)

## 1. THE COMPANY AND ITS OPERATIONS

Century Paper & Board Mills Limited ("the Company") was incorporated in Pakistan as a public limited company on August 02, 1984 under the Companies Ordinance, 1984 and its ordinary shares are quoted on Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi, Pakistan. The Company is engaged in manufacturing and marketing of paper, board and related products.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

This condensed interim financial information is unaudited but subject to the limited scope review by auditors and is being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984.

This condensed interim financial information of the Company for the half year ended December 31, 2014 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended June 30, 2014.

The comparative balance sheet presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2014, whereas the comparative condensed interim profit and loss accounts, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial information for the half year ended December 31, 2013.

### 2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention, except for the recognition of certain staff retirement benefits at present value.

This condensed interim financial information has been prepared following accrual basis of accounting except for cash flow information.

### 2.3 Functional and presentation currency

This condensed interim financial information has been presented in Pak Rupees, which is the functional and presentation currency of the Company.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted and methods of computation followed in the preparation of this condensed interim financial information are same as those for the preceding annual financial statements for the year ended June 30, 2014.

## 4. TAXATION

The provisions for taxation for the half year and quarter ended December 31, 2014 have been made using the estimated effective tax rate applicable to expected total annual earnings.

# Notes to the Condensed Interim Financial Information

for the period ended December 31, 2014 (Un-audited)

## 5. ESTIMATES

The preparation of condensed interim financial information requires management to make certain judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2014.

	Note	December 31, 2014	June 30, 2014 (Audited)
(Rupees in thousands)			
<b>6. OPERATING FIXED ASSETS</b>			
Opening net book value (NBV)		<b>8,137,746</b>	8,808,166
Additions (at cost) during the period / year	6.1	<b>138,902</b>	233,737
		<b>8,276,648</b>	9,041,903
Disposals (NBV) during the period / year	6.2	<b>(3,219)</b>	(4,029)
Depreciation charge for the period / year		<b>(453,367)</b>	(904,157)
		<b>(453,367)</b>	(904,157)
Closing net book value (NBV)		<b>7,823,281</b>	8,137,746

6.1 Detail of additions (at cost) during the period / year are as follows:

Freehold land	<b>1,437</b>	1,702
Buildings on freehold land	<b>23,067</b>	2,363
Plant and machinery	<b>91,836</b>	178,556
Furniture and fixtures	<b>15</b>	621
Vehicles	<b>17,667</b>	23,684
Electrical and other equipments	<b>1,710</b>	3,917
Computers	<b>3,170</b>	22,894
	<b>138,902</b>	233,737

6.2 Detail of disposals (NBV) during the period / year are as follows:

Plant and machinery	<b>37</b>	113
Vehicles	<b>3,182</b>	3,841
Electrical and other equipments	<b>-</b>	75
	<b>3,219</b>	4,029

## 7. CAPITAL WORK IN PROGRESS

This comprises of:

Civil works	<b>138,265</b>	17,852
Plant and machinery	<b>428,662</b>	176,383
Advances to suppliers	<b>55,063</b>	5,590
Other directly attributable cost	<b>29,686</b>	2,700
	<b>651,676</b>	202,525

Movement of carrying amount is as follows:

Opening balance	<b>202,525</b>	48,532
Additions (at cost) during the period / year	<b>564,404</b>	227,631
	<b>766,929</b>	276,163
Transfer to operating fixed assets during the period / year	<b>(115,253)</b>	(73,638)
Closing balance	<b>651,676</b>	202,525



## Notes to the Condensed Interim Financial Information

*for the period ended December 31, 2014 (Un-audited)*

- 7.1 This balance includes project in progress relating to Coal Based Co-Generation Power Plant amounting to Rs. 401.874 million (June 30, 2014: Rs. 5.114 million).

	Note	December 31, 2014	June 30, 2014 (Audited)
(Rupees in thousands)			
<b>8. STORES AND SPARES</b>			
Stores	8.1	<b>673,020</b>	577,151
Spares			
in hand		<b>390,820</b>	347,182
in transit		<b>51,065</b>	18,055
		<b>441,885</b>	365,237
		<b>1,114,905</b>	942,388
Provision for slow moving stores and spares		<b>(34,732)</b>	(31,932)
		<b>1,080,173</b>	910,456

- 8.1 This includes fuel for power and steam generation amounting to Rs. 72.24 million (June 30, 2014: Rs. 104.35 million).

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

### 9. STOCK-IN-TRADE

Raw materials			
in hand		<b>1,544,533</b>	1,555,638
in transit		<b>91,128</b>	437,110
		<b>1,635,661</b>	1,992,748
Work-in-process		<b>359,350</b>	439,789
Finished goods		<b>105,274</b>	130,876
		<b>2,100,285</b>	2,563,413

### 10. PREFERENCE SHARES

Preference shares	<b>901,214</b>	901,214
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- 10.1 In November 2009, the Company has issued preference right shares of the face value of Rs. 10 each, in the proportion of 4.25 preference shares for every ordinary share held. These shares are not listed on any of the stock exchanges in Pakistan.

- 10.2 The followings are the terms, conditions and rights and privileges of preference shares with amendments which became effective on July 1, 2013.

- a) Annual dividends will be payable when and if declared by the Company but shall be paid on cumulative basis prior to any dividend or other distribution payable to the ordinary shareholders. The dividend rate will be based on six months KIBOR plus spread of 1% per annum subject to cap of 13% per annum on the face value of the preference shares on cumulative basis. The cumulative dividend as at the balance sheet date amounted to Rs. 576.49 million (June 30, 2014: Rs. 528.16 million).

## Notes to the Condensed Interim Financial Information

for the period ended December 31, 2014 (Un-audited)

- b) The preference shareholders do not have any voting rights and are not entitled to receive any notice for meeting of shareholders and will not be entitled to any rights in respect of subscription of further issue of ordinary shares of the Company.
- c) The Company shall have the option to redeem the preference shares in full or in any proportion by giving fourteen days notice. The redemption will be subject to the payment of cumulative unpaid dividend, if any, on the part being redeemed up to the applicable date of redemption notice. The redemption will be subject to compliance with the provisions of Section 85 of the Companies Ordinance, 1984.

	Note	December 31, 2014	June 30, 2014 (Audited)
(Rupees in thousands)			
<b>11. LONG-TERM FINANCING</b>			
From banking companies - secured			
Utilized under mark-up arrangements financed by:			
Consortium of Banks			
Musharaka	11.1	<b>1,350,000</b>	1,500,000
Syndicated	11.2	<b>200,000</b>	-
		<b>1,550,000</b>	1,500,000
Term Loans			
Allied Bank Limited	11.3	<b>1,275,000</b>	1,425,000
Meezan Bank Limited - Musharaka	11.4	<b>100,000</b>	-
Faysal Bank Limited	11.5	<b>32,500</b>	54,166
Bank Alfalah Limited	11.6	<b>81,136</b>	150,682
		<b>1,488,636</b>	1,629,848
		<b>3,038,636</b>	3,129,848
From associated undertakings - unsecured	11.7	<b>1,000,000</b>	1,000,000
		<b>4,038,636</b>	4,129,848
Current portion shown under current liabilities		<b>(713,636)</b>	(782,424)
		<b>3,325,000</b>	3,347,424

11.1 This represents Diminishing Musharaka Arrangement with a Consortium of Meezan Bank Limited and Al Baraka Bank (Pakistan) Limited for Rs. 1,500 million. The tenor of the facility is six years including one year grace period. This finance facility is repayable in twenty equal quarterly installments which commenced from August 2014.

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

The rate of mark-up is equal to base rate plus 0.9%. 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 mark-up rate was 11.04% (June 30, 2014: 10.54%) per annum.

11.2 This represents first drawdown against Syndicated term financing arrangement with Consortium of MCB Bank Limited and Allied Bank Limited amounting to Rs. 1,500 million for expenditure incurred on project in progress of 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 commencing from November 2016.



## Notes to the Condensed Interim Financial Information

for the period ended December 31, 2014 (Un-audited)

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

The rate of mark-up is equal to base rate plus 0.75%. 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 mark-up rate was 10.89% per annum.

- 11.3 This term finance facility has been obtained from Allied Bank Limited amounting to Rs. 1,500 million. The tenor of the facility is six years including one year grace period. This finance facility is repayable in twenty equal quarterly installments which commenced from June 2014.

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

The rate of mark-up is equal to base rate plus 0.9%. Base rate is equal to average of three months KIBOR of the last six business days prior to the beginning of each installment period. During the period, the effective mark-up rate was 11.06% (June 30, 2014: 10.60%) per annum.

- 11.4 This represents first drawdown against Diminishing Musharaka Arrangement of Rs. 750 million with Meezan Bank Limited for expenditure incurred on project in progress of 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 commencing from November 2016.

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

The rate of mark-up is equal to base rate plus 0.75%. 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 mark-up rate was 10.89% per annum.

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

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

The rate of mark-up is 1.50% over three months KIBOR of last day of preceding quarter. During the period, the effective mark-up rate was 11.66% (June 30, 2014: 11.06%) per annum.

- 11.6 These term finance loans have been obtained from Bank Alfalah Limited (Islamic Banking) amounting to Rs. 382.50 million specifically for refurbishment of Gas Turbine Generators. The tenor of the facility is three years and these are repayable in eleven equal quarterly installments.

These finance facilities are secured by way of exclusive charge on respective Gas Turbine Generators with 20% margin.

The rate of mark-up is 1.25% over three months KIBOR of last day of preceding quarter. During the period, the effective mark-up rate was 11.41% (June 30, 2014: 10.82%) per annum.

- 11.7 This loan has been obtained from SIZA Commodities (Private) Limited, an associated company, amounting to Rs. 1,000 million. The loan is repayable after two years from the date of agreement i.e. July 2016.

The rate of mark-up is 0.9% over average of three months KIBOR of the last one day of preceding quarter. During the period, the effective mark-up rate was 11.08% (June 30, 2014: 10.59%) per annum.

## Notes to the Condensed Interim Financial Information

*for the period ended December 31, 2014 (Un-audited)*

	<b>Note</b>	<b>December 31, 2014</b>	June 30, 2014 (Audited)
(Rupees in thousands)			
<b>12. TRADE AND OTHER PAYABLES</b>			
Creditors		429,122	315,141
Foreign bills payable		90,325	274,454
Accrued liabilities		120,672	177,869
Sales tax payable - net		54,768	14,884
Customers' balances		50,452	34,745
Provident fund payable		5,680	4,854
Gratuity payable		52,283	54,543
Workers' profit participation fund		-	49,087
Workers' welfare fund		-	18,653
Unclaimed dividend		724	734
Other liabilities		34,164	27,867
		<b>838,190</b>	<b>972,831</b>
<b>13. INTEREST AND MARK-UP ACCRUED</b>			
Interest and mark-up accrued on:			
Long-term financing		53,753	52,040
Short-term borrowings		52,026	13,438
		<b>105,779</b>	<b>65,478</b>
<b>14. SHORT-TERM BORROWINGS</b>			
From banking companies - secured			
Running finances	14.1	1,882,757	912,782
Import credit finances		339,128	692,239
		<b>2,221,885</b>	<b>1,605,021</b>

14.1 During the period, the effective mark-up rates for running finances and import credit finances are 10.56% (June 30, 2014: 10.44%) per annum and 3.21% (June 30, 2014: 3.16%) per annum respectively.

### 15. CONTINGENCIES AND COMMITMENTS

#### 15.1 Contingencies

##### a) Guarantees

Guarantees have been issued by banks on behalf of the Company in the normal course of business aggregating to Rs. 367 million (June 30, 2014: Rs. 367 million).

##### b) Sales tax

Three cases of inadmissible input sales tax amounting to Rs. 82.27 million have been adjudicated against the Company by Deputy Commissioner Inland Revenue. The appeals were filed by the Company against these orders at respective forum. These cases have been remanded back to the adjudicating authorities by the Appellate Authorities with the direction to verify of the compliance of the Company with the relevant provision of the Sales Tax Act, 1990. No provision has been made in the financial statements for the liability that may arise in the event of a decision against the Company 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.



## Notes to the Condensed Interim Financial Information

for the period ended December 31, 2014 (Un-audited)

- c) The Company has filed a writ petition against the imposition of the Gas Infrastructure Development Cess (GIDC) through Gas Infrastructure Development Cess Ordinance (GIDC), 2014 (the Ordinance). The Sindh High Court has passed instructions to the Federal Government and Sui Northern Gas Pipelines Limited refraining them from collecting GIDC pending the final decision on the writ petition. From 1st August 2014 to 31st December 2014, an amount of approximately Rs. 81 million has been accumulated on account of GIDC. However the Company, based on the advice of its legal counsel, is confident of a favorable outcome of the aforementioned application to the Sindh High Court and, therefore, has not recorded a provision in respect of the amount of Rs. 81 million in this condensed interim financial information.

### 15.2 Commitments

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

- Letters of credit other than for capital expenditure amounted to Rs. 352.91 million (June 30, 2014: Rs. 670.24 million).
- Capital expenditure including letters of credit amounted to Rs. 1,705.52 million (June 30, 2014: Rs. 1,571 million).

	Half year ended		Quarter ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	(Rupees in thousands)			
<b>16. SALES</b>				
Gross sales	7,658,640	9,497,277	3,585,839	4,588,258
Sales tax	(1,097,724)	(1,369,880)	(514,580)	(659,087)
	<u>6,560,916</u>	<u>8,127,397</u>	<u>3,071,259</u>	<u>3,929,171</u>
<b>17. COST OF SALES</b>				
Materials consumed	3,617,916	4,509,537	1,548,830	2,127,066
Fuel and power	1,198,964	1,125,931	533,368	620,828
Depreciation on property, plant and equipment	434,820	437,659	217,965	218,449
Salaries, wages and other benefits	284,600	267,750	144,531	131,291
Repairs, maintenance and stores consumption	285,473	308,747	164,848	161,962
Packing expenses	133,202	149,837	64,377	74,814
Insurance	32,419	32,349	16,927	16,347
Provision for slow moving stores and spares	2,800	2,400	1,500	1,200
Rent, rates and taxes	2,437	2,321	1,219	1,161
Manufacturing cost	<u>5,992,631</u>	<u>6,836,531</u>	<u>2,693,565</u>	<u>3,353,118</u>
Work-in-process				
Opening stock	439,789	114,192	630,130	306,722
Closing stock	(359,350)	(284,523)	(359,350)	(284,523)
	<u>80,439</u>	<u>(170,331)</u>	<u>270,780</u>	<u>22,199</u>
Cost of goods manufactured	<u>6,073,070</u>	<u>6,666,200</u>	<u>2,964,345</u>	<u>3,375,317</u>
Finished goods				
Opening stock	130,876	66,657	155,733	53,839
Closing stock	(105,274)	(61,747)	(105,274)	(61,747)
	<u>25,602</u>	<u>4,910</u>	<u>50,459</u>	<u>(7,908)</u>
	<u>6,098,672</u>	<u>6,671,110</u>	<u>3,014,804</u>	<u>3,367,409</u>



# Notes to the Condensed Interim Financial Information

for the period ended December 31, 2014 (Un-audited)

	December 31, 2014	December 31, 2013
	(Rupees in thousands)	
<b>19.1 Changes in working capital</b>		
(Increase) / decrease in current assets		
Stores and spares	(172,517)	(115,721)
Stock-in-trade	463,128	(487,676)
Trade debts	(190,630)	(325,074)
Loans and advances	(12,889)	18,854
Trade deposits and short-term prepayments	(49,884)	(27,580)
Other receivables	(1,432)	3,217
Tax refunds due from Government	18,653	44,806
	<b>54,429</b>	(889,174)
(Decrease) / increase in current liabilities		
Trade and other payables	(34,215)	97,011
	<b>20,214</b>	(792,163)

## 20. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

20.1 The related parties and associated undertakings comprise of group companies, other associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings are as under:

Relation with the Company	Nature of transaction	Note	Half year ended		Quarter ended	
			December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
(Rupees in thousands)						
Associated companies/ undertakings	Sales of goods and services		773,001	802,148	376,472	421,976
	Purchase of goods and services		127,813	128,544	22,651	22,990
	Rent and other allied charges		3,853	3,138	2,219	1,569
	Insurance agency commission		9,000	4,800	5,100	2,400
	Issue of bonus shares		-	97,890	-	97,890
	Redemption of preference shares		-	440,184	-	440,184
	Dividend paid on redemption of preference shares		-	231,510	-	231,510
	Donation		-	25,000	-	25,000
	Mark-up accrued		55,830	51,192	27,928	26,037
	Sponsors and Directors	Issue of bonus shares		-	48	-
Redemption of preference shares			-	318	-	318
Dividend paid on preference shares			-	167	-	167
Retirement benefit plans	Contribution to staff retirement benefit plans		28,442	24,117	12,202	11,860
Key management personnel	Remuneration and other benefits	20.3	115,656	104,138	49,968	46,120

# Notes to the Condensed Interim Financial Information

for the period ended December 31, 2014 (Un-audited)

	<b>December 31, 2014</b>	June 30, 2014 (Audited)
	(Rupees in thousands)	
<b>20.2 Period / year end balances</b>		
Receivable from related parties	<b>149,492</b>	80,045
Payable to related parties	<b>75,845</b>	62,070
Long-term financing from associated undertaking	<b>1,000,000</b>	1,000,000
Mark-up on long term financing from associated undertaking	<b>27,928</b>	27,624

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

20.4 The above transactions with related parties are at arm's length based on normal commercial rates.

## 21. OPERATING SEGMENTS

These financial statements have been prepared on the basis of single reportable segment.

All sales of the Company relate to customers in Pakistan.

All non-current assets of the Company as at December 31, 2014 are located in Pakistan.

## 22. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended June 30, 2014.

## 23. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on February 13, 2015 by the Board of Directors of the Company.

## 24. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and better presentation. However, no significant reclassifications have been made during the period.

## 25. GENERAL

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

  
**AFTAB AHMAD**  
Chief Executive Officer

  
**TASLEEMUDDIN AHMED BATLAY**  
Director



## **Century Paper & Board Mills Limited**

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