



Century Paper & Board Mills Limited



First Quarter Report
September 2014

Clean - Green - Sustainable

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Corporate Information

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

Advisor

Sultan Ali Lakhani

Audit Committee

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

Human Resource and Remuneration Committee

Zulfiqar Ali Lakhani	- Chairman
Tasleemuddin Ahmed Batlay	
Aftab Ahmad	

Chief Financial Officer

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

Company Secretary

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

Head Office and Registered Office

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Email: info@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

Mills

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

External Auditors

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

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



Directors' Review

On behalf of the Board of Directors, I am pleased to present the performance review of the Company together with the financial statements for the quarter ended September 30, 2014.

The results for quarter under review show a slide in the bottom line over the comparable quarter of last year. The decline in the bottom line is firstly attributable to the gas supply to the Company which was curtailed to just 33% of its sanctioned load and secondly the influx of imported paper and board in the local market. Due to the adverse court decision on anti-dumping duty, the imports have accelerated with obvious signs of under invoicing. The Company marked down its prices for the products which were having a direct competition with imports; this coupled with high energy cost squeezed its bottom line as compared to the same quarter of last year.

Sales Review

Your Company achieved a net sales value of Rs. 3,490 million for the quarter under review, as compared to Rs. 4,198 million, for the comparable quarter of last year. The decrease of Rs. 708 million in net sales value is attributable to decrease in sales volume of 10,627 metric tons.

In terms of quantity the sale of paper & board and corrugated boxes of your Company was 39,866 metric tons as compared to 50,493 metric tons posted for the corresponding quarter of last year.

The sales values as well as the sales volume have fallen short for the comparable quarter of last year.

Financial Review

For the quarter under review the Company posted a gross profit of Rs. 406 million as compared to gross profit of Rs. 895 million for the comparable quarter of last year. The decline in gross profit from the comparable quarter is due to the combination of high input cost of material caused by the devaluation in rupee, high cost of energy due to gas curtailment and low sales volume due to influx of imported products.

Similarly the operating profit for the quarter under review stood at Rs. 285 million as compared to Rs. 748 million for the comparable quarter of last year.

After taking into account financial charges of Rs. 183 million the Company has posted a profit before tax of Rs. 102 million as compared to profit before tax of Rs. 602 million for the comparable quarter of last year.

Directors' Review

The Company's net profit after tax for the quarter under review stood at Rs. 67 million as compared to profit after tax of Rs. 397 million for the comparable quarter of last year.

Near Term Outlook

It is expected that the gas and electricity availability during the coming winter months will not be sufficient to meet the Company's requirement. Further due to the decision of the Islamabad High Court, the anti-dumping duty which was imposed on imports has been declared null and void.

Your Company has taken another step by installing and converting two of its small boilers on coal which will mitigate to some extent the high cost of energy. Further the Company is once again taking up the issue of anti-dumping to National Tariff Commission and hopes to get a favorable decision.

Thus your Company is expecting a difficult second quarter both for production and sales.

Acknowledgments

Nonetheless, your Directors fully acknowledge and appreciate the continued support and commitment of all our stakeholders. They are also thankful for the hard and sincere work of the staff and employees of all cadres.

On behalf of the Board of Directors



Aftab Ahmad

Chief Executive Officer

Karachi: October 16, 2014



Condensed Interim Balance Sheet

as at September 30, 2014 (Un-audited)

	Note	September 30, 2014 (Rupees in thousands)	June 30, 2014 (Audited)
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	6	7,920,168	8,137,746
Operating fixed assets	7	452,549	202,525
Capital work in progress		8,372,717	8,340,271
Intangible assets		2,270	2,712
Long-term loans and advances		19,415	2,845
Long-term deposits		2,829	2,829
		8,397,231	8,348,657
CURRENT ASSETS			
Stores and spares	8	1,176,097	910,456
Stock-in-trade	9	2,888,764	2,563,413
Trade debts (unsecured - considered good)		1,241,628	1,006,753
Loans and advances (unsecured - considered good)		95,648	22,745
Trade deposits and short-term prepayments		49,678	3,312
Other receivables (unsecured - considered good)		2,356	1,988
Tax refunds due from Government		141,291	141,291
Taxation - net		169,363	111,347
Cash and bank balances		86,604	68,975
		5,851,429	4,830,280
TOTAL ASSETS		14,248,660	13,178,937
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
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
		3,440,209	3,373,292
		5,811,607	5,744,690
NON - CURRENT LIABILITIES			
Long-term financing	11	3,475,000	3,347,424
Deferred taxation		661,069	661,069
		4,136,069	4,008,493
CURRENT LIABILITIES			
Trade and other payables	12	1,028,781	972,831
Interest and mark-up accrued	13	83,138	65,478
Short-term borrowings	14	2,429,823	1,605,021
Current portion of long-term financing	11	759,242	782,424
		4,300,984	3,425,754
CONTINGENCIES AND COMMITMENTS	15		
TOTAL EQUITY AND LIABILITIES		14,248,660	13,178,937

The annexed notes from 1 to 24 form an integral part of these condensed interim financial information.



AFTAB AHMAD
Chief Executive Officer



TASLEEMUDDIN AHMED BATLAY
Director

Condensed Interim Profit and Loss Account

for the quarter ended September 30, 2014 (Un-audited)

	Note	September 30, 2014 (Rupees in thousands)	September 30, 2013
Sales - net	16	3,489,657	4,198,226
Cost of sales	17	(3,083,868)	(3,303,701)
Gross profit		405,789	894,525
General and administrative expenses		(88,510)	(79,890)
Selling expenses		(10,816)	(9,831)
Distribution expenses		(20,057)	(22,562)
Other operating charges			
Workers' profit participation fund		(5,469)	(32,336)
Workers' welfare fund		(2,078)	(12,288)
Others		(12,524)	(5,042)
		(20,071)	(49,666)
Other income		19,156	15,540
Operating profit		285,491	748,116
Finance cost		(183,677)	(146,026)
Profit before taxation		101,814	602,090
Taxation			
Current		(34,897)	(41,982)
Deferred		-	(163,000)
		(34,897)	(204,982)
Profit for the period		66,917	397,108
Basic earnings per share (Rupees)	18	0.28	2.80
Diluted earnings per share (Rupees)	18	0.28	2.22

The annexed notes from 1 to 24 form an integral part of these condensed interim financial information.




AFTAB AHMAD
 Chief Executive Officer


TASLEEMUDDIN AHMED BATLAY
 Director

Condensed Interim Statement of Comprehensive Income

for the quarter ended September 30, 2014 (Un-audited)

	September 30, 2014	September 30, 2013
	(Rupees in thousands)	
Profit for the period	66,917	397,108
Other comprehensive income		
Items that will not be reclassified in Profit and Loss account		
Remeasurement of defined benefit liability - net	-	(6,217)
Tax Impact	-	2,051
	-	(4,166)
Total comprehensive income for the period	66,917	392,942

The annexed notes from 1 to 24 form an integral part of these condensed interim financial information.


AFTAB AHMAD
Chief Executive Officer


TASLEEMUDDIN AHMED BATLAY
Director

CENTURY PAPER & BOARD MILLS LIMITED



Condensed Interim Statement of Cash Flows

for the quarter ended September 30, 2014 (Un-audited)

	Note	September 30, 2014 (Rupees in thousands)	September 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	19	(333,059)	752,181
Finance cost paid		(166,017)	(135,603)
Taxes paid - net		(92,913)	(72,730)
Gratuity paid		(5,625)	(5,307)
Workers' profit participation fund paid		-	(75,507)
Long-term loans and advances - net		(16,570)	356
Net cash (used in) / generated from operating activities		(614,184)	463,390
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(298,851)	(37,638)
Proceeds from sale of property, plant and equipment		1,468	1,702
Net cash used in investing activities		(297,383)	(35,936)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term financing from banking companies		300,000	-
Repayment of long-term financing from banking companies		(195,606)	(83,107)
Net cash generated from / (used in) financing activities		104,394	(83,107)
Net (decrease) / increase in cash and cash equivalents		(807,173)	344,347
Cash and cash equivalents at the beginning of the period		(1,536,046)	(1,336,394)
Cash and cash equivalents at the end of the period		(2,343,219)	(992,047)
CASH AND CASH EQUIVALENTS			
Cash and bank balances		86,604	119,818
Short-term borrowings		(2,429,823)	(1,111,865)
		(2,343,219)	(992,047)

The annexed notes from 1 to 24 form an integral part of these condensed interim financial information.




AFTAB AHMAD
 Chief Executive Officer


TASLEEMUDDIN AHMED BATLAY
 Director

Condensed Interim Statement of Changes in Equity

for the quarter ended September 30, 2014 (Un-audited)

	Issued, subscribed and paid-up capital		Reserves							Sub-total	Total	
			Capital			Revenue						
			Share premium	Merger reserve	Redemption reserve	Total	General reserve	Unappropriated profit	Total			
Ordinary share capital	Preference share capital											
(Rupees in thousands)												
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	
Profit for the period	-	-	-	-	-	-	-	397,108	397,108	397,108	397,108	
Remeasurement of defined benefit liability - net	-	-	-	-	-	-	-	(4,166)	(4,166)	(4,166)	(4,166)	
Total comprehensive income for the period ended September 30, 2013	-	-	-	-	-	-	-	392,942	392,942	392,942	392,942	
Balance as at September 30, 2013	1,060,252	2,102,832	1,047,935	7,925	480,647	1,536,507	313,226	1,199,221	1,512,447	3,048,954	6,212,038	
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	
Total comprehensive income for the period ended September 30, 2014	-	-	-	-	-	-	-	66,917	66,917	66,917	66,917	
Balance as at September 30, 2014	1,470,184	901,214	1,822,122	7,925	931,254	2,761,301	313,226	365,682	678,908	3,440,209	5,811,607	

The annexed notes from 1 to 24 form an integral part of these condensed interim financial information.


AFTAB AHMAD
 Chief Executive Officer


TASLEEMUDDIN AHMED BATLAY
 Director

CENTURY PAPER & BOARD MILLS LIMITED



Notes to the Condensed Interim Financial Information

for the quarter ended September 30, 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

These condensed interim financial information are unaudited and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984.

These condensed interim financial information of the Company for the first quarter ended September 30, 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.

These condensed interim financial information do 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 these 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 account, 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 first quarter ended September 30, 2013.

2.2 Basis of measurement

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

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

2.3 Functional and presentation currency

These condensed interim financial information have 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 these 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 first quarter ended September 30, 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 quarter ended September 30, 2014 (Un-audited)

5. ESTIMATES

The preparation of condensed interim financial information requires management to make certain judgments, 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.

		September 30, 2014	June 30, 2014 (Audited)
	Note	(Rupees in thousands)	
6. OPERATING FIXED ASSETS			
Opening net book value (NBV)		8,137,746	8,808,166
Additions (at cost) during the period / year	6.1	7,233	233,737
		8,144,979	9,041,903
Disposals (NBV) during the period / year	6.2	(558)	(4,029)
Depreciation charge for the period / year		(224,253)	(900,128)
		(224,811)	(904,157)
Closing net book value (NBV)		7,920,168	8,137,746

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

Freehold land	668	1,702
Buildings on freehold land	-	2,363
Plant and machinery	3,144	178,556
Furniture and fixtures	-	621
Vehicles	-	23,684
Electrical and other equipments	1,410	3,917
Computers	2,011	22,894
	7,233	233,737

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

Plant and machinery	37	113
Vehicles	521	3,841
Electrical and other equipments	-	75
	558	4,029

Notes to the Condensed Interim Financial Information

for the quarter ended September 30, 2014 (Un-audited)

		September 30, 2014	June 30, 2014 (Audited)
		(Rupees in thousands)	
7. CAPITAL WORK IN PROGRESS	Note		
This comprises of:			
Existing			
Civil works		21,668	17,257
Plant and machinery		228,343	175,319
Advances to suppliers		27,076	4,835
Others		2,327	-
		<u>279,414</u>	<u>197,411</u>
Projects (Coal Based Co-Generation Power Plant)			
Civil works		5,512	595
Plant and machinery		9,021	1,064
Advances to suppliers		142,634	755
Other directly attributable cost		15,968	2,700
		<u>173,135</u>	<u>5,114</u>
		<u>452,549</u>	<u>202,525</u>
7.1 Movement of carrying amount is as follows:			
Opening balance		202,525	48,532
Additions (at cost) during the period / year		252,566	227,631
		<u>455,091</u>	<u>276,163</u>
Transfer to operating fixed assets during the period / year		(2,542)	(73,638)
Closing balance		<u>452,549</u>	<u>202,525</u>
8. STORES AND SPARES			
Stores	8.1	711,567	577,151
Spares			
in hand		382,306	347,182
in transit		115,456	18,055
		<u>497,762</u>	<u>365,237</u>
		<u>1,209,329</u>	<u>942,388</u>
Provision for slow moving stores and spares		(33,232)	(31,932)
	8.2	<u>1,176,097</u>	<u>910,456</u>
8.1 This includes fuel for power and steam generation amounting to Rs. 159.04 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.			

Notes to the Condensed Interim Financial Information

for the quarter ended September 30, 2014 (Un-audited)

	September 30, 2014	June 30, 2014 (Audited)
	(Rupees in thousands)	
9. STOCK-IN-TRADE		
Raw materials		
in hand	1,658,606	1,555,638
in transit	444,295	437,110
	<u>2,102,901</u>	<u>1,992,748</u>
Work-in-process	630,130	439,789
Finished goods	155,733	130,876
	<u>2,888,764</u>	<u>2,563,413</u>
10. PREFERENCE SHARES		
Original issue size (fully paid in cash)	3,004,046	3,004,046
Redeemed through cash / right shares	(1,351,821)	(1,351,821)
Converted into Ordinary Shares	(751,011)	(751,011)
	<u>901,214</u>	<u>901,214</u>

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, rights and privileges of preference shares with amendments which became effective on July 1, 2013.

- 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. 553.55 million (June 30, 2014: Rs. 528.16 million).
- 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 right in respect of subscription of further issue of ordinary shares of the Company.
- 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.

Notes to the Condensed Interim Financial Information

for the quarter ended September 30, 2014 (Un-audited)

		September 30, 2014	June 30, 2014 (Audited)
	Note	(Rupees in thousands)	
11. LONG-TERM FINANCING			
From banking companies - secured			
Utilized under mark-up arrangements			
financed by:			
Consortium of Banks			
- Musharaka	11.1	1,425,000	1,500,000
- Syndicated	11.2	200,000	-
		<u>1,625,000</u>	<u>1,500,000</u>
Term Loans			
Allied Bank Limited	11.3	1,350,000	1,425,000
Meezan Bank Limited - Musharaka	11.4	100,000	-
Faysal Bank Limited	11.5	43,333	54,166
Bank Alfalah Limited	11.6	115,909	150,682
		<u>1,609,242</u>	<u>1,629,848</u>
		<u>3,234,242</u>	<u>3,129,848</u>
From associated undertakings - unsecured	11.7	1,000,000	1,000,000
		<u>4,234,242</u>	<u>4,129,848</u>
Current portion shown under current liabilities		<u>(759,242)</u>	<u>(782,424)</u>
		<u><u>3,475,000</u></u>	<u><u>3,347,424</u></u>

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 11.07% (June 30, 2014: 10.54%) per annum.

11.2 This represents Syndicated term financing arrangement with Consortium of MCB Bank Limited and Allied Bank Limited amounting to Rs. 1,500 million for acquisition 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.

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 10.92% 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.



Notes to the Condensed Interim Financial Information

for the quarter ended September 30, 2014 (Un-audited)

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 11.07% (June 30, 2014: 10.60%) per annum.

- 11.4 The Company entered into Diminishing Musharaka Arrangement of Rs. 750 million with Meezan Bank Limited for acquisition 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.

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 10.92% 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 11.67% (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 11.43% (June 30, 2014: 10.82%) per annum.

- 11.7 This loan has been obtained from SIZA Commodities (Private) Limited, an associated undertaking, 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 11.07% (June 30, 2014: 10.59%) per annum.

Notes to the Condensed Interim Financial Information

for the quarter ended September 30, 2014 (Un-audited)

		September 30, 2014	June 30, 2014 (Audited)
	Note	(Rupees in thousands)	
12. TRADE AND OTHER PAYABLES			
Creditors		436,118	315,141
Foreign bills payable		157,361	274,454
Accrued liabilities		185,697	177,869
Sales tax payable - net		59,877	14,884
Customers' balances		16,772	34,745
Provident fund payable		6,815	4,854
Gratuity payable		55,287	54,543
Workers' profit participation fund		56,124	49,087
Workers' welfare fund		20,731	18,653
Unclaimed dividend		734	734
Other liabilities		33,265	27,867
		<u>1,028,781</u>	<u>972,831</u>
13. INTEREST AND MARK-UP ACCRUED			
Interest and mark-up accrued on:			
Long-term financing		53,713	52,040
Short-term borrowings		29,425	13,438
		<u>83,138</u>	<u>65,478</u>
14. SHORT-TERM BORROWINGS			
From banking companies - secured			
Running finances	14.1	2,022,916	912,782
Import credit finances		406,907	692,239
		<u>2,429,823</u>	<u>1,605,021</u>

14.1 During the period, the effective mark-up rates for running finances and import credit finance are 10.70% (June 30, 2014: 10.44%) per annum and 3.18% (June 30, 2014: 3.16%) per annum respectively.

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

- 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).
- The Commissioner Inland Revenue (Appeals) has adjudicated an amount of Rs. 34.43 million as inadmissible input tax adjustment. The Company has filed an appeal against the orders in the Tax Appellate Tribunal. The Commissioner Inland Revenue (Sales Tax) has also passed an order that the Company has claimed / adjusted inadmissible input tax for an amount of Rs. 5.24 million against which an appeal has been filed before Commissioner Inland Revenue (Appeals). These cases have been remanded back to the Commissioner Inland Revenue (Sales Tax). 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 quarter ended September 30, 2014 (Un-audited)

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. 505.72 million (June 30, 2014: Rs. 670.24 million).
- Capital expenditure including letters of credit amounted to Rs. 1,410 million (June 30, 2014: Rs. 1,571 million).

Quarter ended	
September 30, 2014	September 30, 2013
(Rupees in thousands)	

16. SALES

Gross sales	4,072,801	4,909,019
Sales tax	(583,144)	(710,793)
	<u>3,489,657</u>	<u>4,198,226</u>

17. COST OF SALES

Materials consumed	2,069,086	2,382,471
Fuel and power	665,596	505,103
Depreciation on property, plant and equipment	216,855	219,210
Salaries, wages and other benefits	140,069	136,459
Repairs, maintenance and stores consumption	120,625	146,785
Packing expenses	68,825	75,023
Insurance	15,492	16,002
Provision for slow moving stores and spares	1,300	1,200
Rent, rates and taxes	1,218	1,160
Manufacturing cost	<u>3,299,066</u>	<u>3,483,413</u>
Work-in-process		
Opening stock	439,789	114,192
Closing stock	(630,130)	(306,722)
	<u>(190,341)</u>	<u>(192,530)</u>
Cost of goods manufactured	<u>3,108,725</u>	<u>3,290,883</u>
Finished goods		
Opening stock	130,876	66,657
Closing stock	(155,733)	(53,839)
	<u>(24,857)</u>	<u>12,818</u>
	<u>3,083,868</u>	<u>3,303,701</u>

Notes to the Condensed Interim Financial Information

for the quarter ended September 30, 2014 (Un-audited)

Quarter ended	
September 30, 2014	September 30, 2013
(Rupees in thousands)	

18. EARNINGS PER SHARE - BASIC AND DILUTED

18.1 Basic earnings per share

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

Profit for the period	66,917	397,108
Less: Dividend attributable to cumulative preference shares	(25,393)	(55,653)
Profit attributable to ordinary shareholders	41,524	341,455
Weighted average number of ordinary shares (in thousands)	147,018	121,928
Earnings per share attributable to ordinary shareholders (Rupees)	0.28	2.80

18.2 Diluted earnings per share

The dilutive impact of potential Ordinary Shares on earnings per share as required under IAS 33 "Earnings per share" is given below:

Profit attributable to ordinary shareholders	41,524	341,455
Dividend for the period on convertible preference shares	-	19,876
	41,524	361,331
Weighted average number of ordinary shares	147,018	121,928
Incremental number of shares from potential conversion of preference shares	-	41,048
	147,018	162,976
Diluted earnings per share (Rupees)	0.28	2.22

19. CASH GENERATED FROM OPERATIONS

Profit before taxation	101,814	602,090
Adjustment for non cash charges and other items:		
Depreciation	224,253	225,018
Amortization of intangible assets	442	2,965
Gain on sale of property, plant and equipment	(910)	(211)
Provision for gratuity	6,369	4,910
Provision for slow moving stores and spares	1,300	1,200
Workers' profit participation fund	5,469	32,336
Finance cost	183,677	146,026
Working capital changes	(855,473)	(262,153)
	(434,873)	150,091
	(333,059)	752,181



Notes to the Condensed Interim Financial Information

for the quarter ended September 30, 2014 (Un-audited)

	Quarter Ended	
	September 30, 2014	September 30, 2013
Note	(Rupees in thousands)	

19.1 Changes in working capital

(Increase) / Decrease in current assets		
Stores and spares	(266,941)	6,416
Stock-in-trade	(325,351)	(37,793)
Trade debts	(234,875)	(517,214)
Loans and advances	(72,903)	16,212
Trade deposits and short-term prepayments	(46,366)	(37,059)
Other receivables	(368)	(2,385)
Tax refunds due from Government	-	16,113
	(946,804)	(555,710)
Increase in current liabilities		
Trade and other payables	91,331	293,557
	(855,473)	(262,153)

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:

<u>Relation with the Company</u>	<u>Nature of transaction</u>		
Associated companies	Sales of goods and services	396,529	380,172
	Purchase of goods and services	105,147	105,554
	Rent and other allied charges	1,634	1,569
	Insurance agency commission	3,900	2,400
	Mark-up accrued	27,902	25,155
Retirement benefit plans	Contribution to staff retirement benefit plans	16,240	12,257
Key management personnel	Remuneration and other benefits	21.3 65,688	58,018

September 30,
2014

June 30,
2014
(Audited)

(Rupees in thousands)

20.2 Period / year end balances

Receivable from related parties	82,695	80,045
Payable to related parties	110,831	62,070
Long-term financing from associated undertaking	1,000,000	1,000,000
Mark-up on long-term financing from associated undertaking	27,902	27,624

Notes to the Condensed Interim Financial Information

for the quarter ended September 30, 2014 (Un-audited)

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. 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.

22. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on October 16, 2014 by the Board of Directors of the Company.

23. 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.

24. GENERAL

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



AFTAB AHMAD
Chief Executive Officer



TASLEEMUDDIN AHMED BATLAY
Director



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