



Century Paper & Board Mills Limited

Half Yearly Report
December 2013



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	- Member
Amin Mohammed Lakhani	- Member
Tasleemuddin Ahmed Batlay	- Member

Human Resource and Remuneration Committee

Zulfiqar Ali Lakhani	- Chairman
Aftab Ahmad	- Member
Tasleemuddin Ahmed Batlay	- Member

Chief Financial Officer

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

Company Secretary

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

Head Office 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

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: pervez.usman@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 un-audited financial information for the half year ended December 31, 2013.

Company's Operating Performance

The production for the period under review (July-December 2013) was 105,433 metric tons as compared to 96,515 metric tons of the comparable period of last year. The higher comparable production was mainly achieved in the first quarter when the gas was available and in the second quarter using other forms of energy mix.

Despite the above efforts, compared with production of 56,898 metric tons of the previous quarter (July-September 2013) the current quarter (October-December 2013) production was 48,535 metric tons.

Sales Review

During the period under review international prices of Paper & Board remained stable but the volatility of dollar has impacted the imports negatively. Thus the imported Paper & Board which is in direct competition with Company's product was not able to impact the market.

Notwithstanding the above, your Company was able to sell 96,321 metric tons of its products for the period under review (July-December 2013) which is 11,087 metric tons more as compared to sales volume of 85,234 metric tons of the comparable period of last year.

The current quarter (October-December 2013) sales of 45,828 metric tons were lower than the previous quarter (July-September 2013) sales of 50,493 metric tons.

In terms of value, the net sales of the Company for the period under review (July-December 2013) were Rs. 8.127 billion as compared to Rs. 6.619 billion of the comparable period of last year. This increase in sales value was partially due to the price adjustment made by the Company to compensate for the rising cost of inputs and partially due to the increased sales volume.

Financial Performance

The Company showed an overall improvement 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 2013) stood at Rs. 1,456 million as compared to Rs. 1,144 million of the comparable period of last year. The net operating profit for the period under review (July-December 2013) is recorded at Rs. 1,164 million as compared to Rs. 947 million of the comparable period of last year.

Financial cost has decreased by Rs. 105 million and is recorded at Rs. 297 million for the period under review as compared to Rs. 402 million of the comparable period of last year. The reduction in finance cost is due to the financial restructuring carried out by the Company in the previous year.

The Company posted a profit before tax of Rs. 867 million as compared to profit before tax of Rs. 545 million for the corresponding period of last year.



Directors' Review

After accounting for the minimum turnover tax of Rs. 81 million and deferred taxation of Rs. 214 million, the Company earned a profit after tax of Rs. 572 million as compared to Rs. 371 million for the comparable period of last year.

Earnings per Share

As the shareholders are aware that Company has distributed 15% Bonus Shares in December 2013 thus increasing the ordinary shares from 106,025 thousands to 121,929 thousands, hence the earning per share is also re-stated for the previous period as required by the reporting standards.

Before attributing the earnings to the preference shareholders, earnings per share for the half year ended December 31, 2013, stood at Rs. 4.69. However, as required by the reporting standards the Company has attributed the earnings to the preference shareholders to the tune of Rs.116 million out of the total of Rs. 572 million. Thus the basic earnings to ordinary shareholders (on the weighted average numbers of share outstanding) are Rs. 3.74 per share as compared to earnings per share of Rs. 1.79 for the comparable period of last year.

Diluted Earnings per Share

The preference shares of the Company have a conversion option according to which the preference shares up to 25% of original issue can be converted into ordinary shares. The IAS 33 "Earnings per share" envisage that in the case where there is a potential dilution on the earnings per share the same should be reflected in the calculation of Earnings per share. Hence, the diluted earnings per share stood at Rs.3.16 (refer to note 21 of the financial information).

Near Term Outlook

The availability of gas to the industrial units in the province of Punjab is curtailed down to ZERO from the mid of December 2013, and the load shedding of electricity is also being put into place, and your Company is not an exception. The gas curtailment and load shedding of electricity is still in force. Therefore these multiple factors will get in the way of normal production of the Company in the same period.

Therefore it is stated that the current levels of production and sales will unlikely be maintainable for the following quarter of the year.

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 14, 2014

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, 2013 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, 2013 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, 2013 and December 31, 2012 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 : 14th February, 2014



BDO EBRAHIM & CO.,

Chartered Accountants

Engagement Partner: Qasim E. Causer



CENTURY PAPER & BOARD MILLS LIMITED

Condensed Interim Balance Sheet

as at December 31, 2013 (Un-audited)

	Note	December 31, 2013	June 30, 2013 (Audited) (Restated)
(Rupees in thousands)			
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	6	8,512,549	8,808,166
Operating fixed assets	7	52,259	48,532
Capital work in progress		8,564,808	8,856,698
Intangible assets		7,126	11,403
Long-term loans and advances		7,462	4,501
Long-term deposits		2,829	2,829
		8,582,225	8,875,431
CURRENT ASSETS			
Stores and spares	8	888,635	866,735
Stock-in-trade	9	2,503,442	2,015,766
Trade debts (unsecured - considered good)		1,509,845	1,184,771
Loans and advances (unsecured - considered good)		17,375	36,229
Trade deposits and short-term prepayments		39,421	11,841
Other receivables (unsecured - considered good)		7,842	11,059
Tax refunds due from Government		141,291	48,016
Taxation - net		134,472	148,082
Cash and bank balances		114,499	77,161
		5,356,822	4,399,660
TOTAL ASSETS		13,939,047	13,275,091
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 410,000,000 (June 30, 2013: 410,000,000) shares of Rs. 10 each		4,100,000	4,100,000
Issued, subscribed and paid-up capital			
121,928,908 (June 30, 2013: 106,025,138) ordinary shares of Rs. 10 each	10	1,219,290	1,060,252
165,222,490 (June 30, 2013: 210,283,175) preference shares of Rs. 10 each	11	1,652,225	2,102,832
		2,871,515	3,163,084
Reserves	12	2,832,493	2,656,012
		5,704,008	5,819,096
NON - CURRENT LIABILITIES			
Long-term financing	13	3,738,636	4,150,682
Deferred taxation		753,507	539,848
		4,492,143	4,690,530
CURRENT LIABILITIES			
Trade and other payables	14	1,089,822	1,028,678
Interest and mark-up accrued	15	65,485	49,141
Short-term borrowings	16	2,030,165	1,413,555
Current portion of long-term financing	13	557,424	274,091
		3,742,896	2,765,465
CONTINGENCIES AND COMMITMENTS	17		
TOTAL EQUITY AND LIABILITIES		13,939,047	13,275,091

The annexed notes from 1 to 28 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 period ended December 31, 2013 (Un-audited)

	Note	Half year ended		Quarter ended	
		December 31, 2013	December 31, 2012 (Restated)	December 31, 2013	December 31, 2012
		(Rupees in thousands)			
Sales - net	18	8,127,397	6,618,998	3,929,171	3,414,937
Cost of sales	19	(6,671,110)	(5,474,618)	(3,367,409)	(2,856,518)
Gross profit		1,456,287	1,144,380	561,762	558,419
General and administrative expenses		(172,120)	(148,616)	(92,230)	(76,265)
Selling expenses		(19,863)	(18,331)	(10,032)	(9,082)
Distribution expenses		(47,209)	(34,836)	(24,647)	(17,989)
Other operating charges					
Workers' profit participation fund		(46,587)	(29,199)	(14,251)	(13,868)
Workers' welfare fund		(17,703)	(11,096)	(5,415)	(5,270)
Others	20	(36,187)	(4,768)	(30,930)	(3,683)
		(100,477)	(45,063)	(50,596)	(22,821)
Other income		47,503	49,188	31,748	20,791
Operating profit		1,164,121	946,722	416,005	453,053
Finance cost		(296,677)	(401,933)	(150,651)	(194,824)
Profit before taxation		867,444	544,789	265,354	258,229
Taxation					
Current		(81,274)	(33,095)	(39,292)	(17,075)
Deferred		(213,659)	(140,654)	(50,659)	(70,000)
		(294,933)	(173,749)	(89,951)	(87,075)
Profit for the period		572,511	371,040	175,403	171,154
Basic earnings per share (Rupees)	21.1	3.74	1.79	0.94	0.75
Diluted earnings per share (Rupees)	21.2	3.16	1.79	0.86	0.75

The annexed notes from 1 to 28 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 period ended December 31, 2013 (Un-audited)

	Half year ended		Quarter ended	
	December 31, 2013	December 31, 2012 (Restated)	December 31, 2013	December 31, 2012
	(Rupees in thousands)			
Profit for the period	572,511	371,040	175,403	171,154
Other comprehensive income				
Remeasurement of defined benefit liability - net	-	(1,634)	-	-
Total comprehensive income for the period	572,511	369,406	175,403	171,154

The annexed notes from 1 to 28 form an integral part of these 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, 2013 (Un-audited)

	Note	December 31, 2013	December 31, 2012
		(Rupees in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	22	886,414	1,135,000
Finance cost paid		(280,333)	(354,289)
Taxes paid - net		(205,745)	(83,832)
Gratuity paid		(10,218)	(12,443)
Workers' profit participation fund paid		(75,507)	-
Long-term loans and advances - net		(2,961)	(5,100)
Net cash generated from operating activities		311,650	679,336
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(76,358)	(231,646)
Proceeds from sale of property, plant and equipment		1,747	2,872
Net cash used in investing activities		(74,611)	(228,774)
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of preference shares		(450,607)	-
Proceeds from long-term financing from banking companies		-	127,500
Repayment of long-term financing from banking companies		(128,712)	(463,182)
Dividend paid on preference shares		(236,992)	-
Net cash used in financing activities		(816,311)	(335,682)
Net (decrease) / increase in cash and cash equivalents		(579,272)	114,880
Cash and cash equivalents at the beginning of the period		(1,336,394)	(1,420,699)
Cash and cash equivalents at the end of the period		(1,915,666)	(1,305,819)
CASH AND CASH EQUIVALENTS			
Cash and bank balances		114,499	245,533
Short-term borrowings		(2,030,165)	(1,551,352)
		(1,915,666)	(1,305,819)

The annexed notes from 1 to 28 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 period ended December 31, 2013 (Un-audited)

	Issued, subscribed and paid-up capital		Reserves					Sub-total	Total		
			Capital			Revenue					
	Ordinary share capital	Preference share capital	Share premium	Merger reserve	Redemption reserve	Total	General reserve	Unappropriated profit	Total	Total	
(Rupees in thousands)											
Balance as at July 1, 2012 as reported	706,834	3,004,046	984,652	7,925	-	992,577	1,232,750	(121,899)	1,110,851	2,103,428	5,814,308
Effect of change in accounting policy-Note 3.1	-	-	-	-	-	-	-	(18,157)	(18,157)	(18,157)	(18,157)
Balance as at July 1, 2012 (Restated)	706,834	3,004,046	984,652	7,925	-	992,577	1,232,750	(140,056)	1,092,694	2,085,271	5,796,151
Transactions with owners											
14,136,685 ordinary shares of Rs. 10/- each issued as fully paid bonus shares	141,367	-	(141,367)	-	-	(141,367)	-	-	-	(141,367)	-
Total comprehensive income for the period ended December 31, 2012											
Profit for the period as restated	-	-	-	-	-	-	-	371,040	371,040	371,040	371,040
Remeasurement of defined benefit liability - net	-	-	-	-	-	-	-	(1,634)	(1,634)	(1,634)	(1,634)
Balance as at December 31, 2012 (Restated)	848,201	3,004,046	843,285	7,925	-	851,210	1,232,750	229,350	1,462,100	2,313,310	6,165,557
Transactions with owners											
Balance as at July 1, 2013 as reported	1,060,252	2,102,832	1,047,935	7,925	480,647	1,536,507	313,226	825,620	1,138,846	2,675,353	5,838,437
Effect of change in accounting policy-Note 3.1	-	-	-	-	-	-	-	(19,341)	(19,341)	(19,341)	(19,341)
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
Transactions with owners											
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)	(236,992)	(236,992)
Dividend paid on preference shares	-	-	-	-	-	-	-	(236,992)	(236,992)	(236,992)	(236,992)
Transfer to redemption reserve	159,038	(450,607)	(159,038)	-	450,607	(159,038)	-	(450,607)	(450,607)	(396,030)	(687,599)
Total comprehensive income for the period ended December 31, 2013	-	-	-	-	-	-	-	572,511	572,511	572,511	572,511
Profit for the period	-	-	-	-	-	-	-	691,191	1,004,417	2,832,493	5,704,008
Balance as at December 31, 2013	1,219,290	1,652,225	888,897	7,925	931,254	1,828,076	313,226	691,191	1,004,417	2,832,493	5,704,008

The annexed notes from 1 to 28 form an integral part of these condensed interim financial information.



AFTAB AHMAD
Chief Executive Officer



TASLEEMUDDIN AHMED BATLAY
Director

HALF YEARLY REPORT DECEMBER 2013

Notes to the Condensed Interim Financial Information

for the period ended December 31, 2013 (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, 2013 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, 2013.

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, 2013, 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 half year ended December 31, 2012.

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

3.1 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, 2013 except as described below:

- a) In accordance with IAS 19 (revised) - "Employee Benefits" (effective for annual period beginning on or after January 1, 2013), the Company has changed its accounting policy for recognition of the actuarial / remeasurement gains and losses on employees' retirement benefit plans. The remeasurement gains / losses as per actuarial valuation done at financial year end will now be recognized immediately in other comprehensive income. Previously, these gains / losses in excess of the corridor limit were recognized in profit and loss account over the remaining service life of the employees.

The change in accounting policy has been accounted for retrospectively and the comparative figures have been restated. The effect on comparative figures of all prior period presented is as follows:-



Notes to the Condensed Interim Financial Information

for the period ended December 31, 2013 (Un-audited)

	Cumulative effect upto June 30, 2013	Effect for the year ended June 30, 2013	Cumulative effect upto July 01, 2012
(Rupees in thousands)			
Condensend interim balance sheet			
Decrease in unappropriated profit			
- Actuarial losses on retirement benefit plans (net of tax)	19,341	1,184	18,157
Increase in trade and other payable			
- Gratuity payable	29,305	1,372	27,933
Decrease in deferred taxation	9,964	188	9,776
Condensed interim profit and loss account			
Increase in profit after taxation			
- Actuarial losses on retirement benefit plans (net of tax)	450	450	-
Condensed interim statement of comprehensive income			
Decrease due to remeasurement of defined benefit liability (net of tax)	1,634	1,634	-

- b) The Company has changed its accounting policy for stand-by spares in line with amendments to IAS 16 "Property, Plant and Equipment" effective for the period beginning on or after January 01, 2013, which clarifies that spare parts, stand-by equipment and servicing equipment should be capitalised as an asset when they meet the definition of the Property, Plant and Equipment.

As permitted by IAS 8 "Accounting Policy, Change in Accounting Estimates and Errors", the change in accounting policy has been accounted for prospectively as it is impracticable to determine the period specific and cumulative effect of change on comparative amounts of prior periods presented in this financial information.

Resultantly, stand-by spares amounting to Rs. 91.42 million have been classified under the head "plant and machinery" which were previously shown under stores and spares. This also complies with the requirements of SRO 183(I)/2013 issued by Securities and Exchange Commission of Pakistan in respect of disclosure requirements.

- 3.2 The other standards, amendments and interpretations of approved accounting standards that became effective during the period do not have a significant impact on the Company's condensed interim financial information.

4. TAXATION

The provisions for taxation for the half year and quarter ended December 31, 2013, have been made using the estimated effective tax rate applicable to expected total annual earnings.

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, 2013.

Notes to the Condensed Interim Financial Information

for the period ended December 31, 2013 (Un-audited)

	Note	December 31, 2013	June 30, 2013 (Audited)
		(Rupees in thousands)	
6. OPERATING FIXED ASSETS			
Opening net book value (NBV)		8,808,166	9,239,066
Additions (at cost) during the period / year	6.1	155,801	469,411
		8,963,967	9,708,477
Disposals (NBV) during the period / year	6.2	(1,532)	(4,242)
Depreciation charge for the period / year		(449,886)	(896,069)
		(451,418)	(900,311)
Closing net book value (NBV)		8,512,549	8,808,166
6.1 Detail of additions (at cost) during the period / year are as follows:			
Buildings on freehold land		52	13,028
Plant and machinery	3.1	126,511	418,954
Furniture and fixtures		-	87
Vehicles		8,699	25,886
Electrical and other equipments		1,786	5,752
Computers		18,753	5,704
		155,801	469,411
6.2 Detail of disposals (NBV) during the period / year are as follows:			
Plant and machinery		-	239
Vehicles		1,532	4,003
		1,532	4,242
7. CAPITAL WORK IN PROGRESS			
Movement of carrying amount is as follows:			
Opening balance		48,532	199,778
Additions (at cost) during the period / year		29,362	280,513
		77,894	480,291
Transfer to operating fixed assets during the period / year		(25,635)	(431,759)
Closing balance		52,259	48,532
8. STORES AND SPARES			
Stores		221,227	186,864
Spares			
in hand		641,988	683,984
in transit		57,146	25,213
		699,134	709,197
		920,361	896,061
Provision for slow moving stores and spares		(31,726)	(29,326)
		888,635	866,735

Notes to the Condensed Interim Financial Information

for the period ended December 31, 2013 (Un-audited)

- 8.1 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.

**December 31,
2013** June 30,
2013
(Audited)
(Rupees in thousands)

9. STOCK-IN-TRADE

Raw materials		
in hand	1,702,754	1,448,977
in transit	454,418	385,940
	2,157,172	1,834,917
Work-in-process	284,523	114,192
Finished goods	61,747	66,657
	2,503,442	2,015,766

10. ORDINARY SHARES

During the period, the Company issued 15,903,770 ordinary shares as fully paid bonus shares by announcing 15% bonus issue (i.e. three bonus shares for every 20 shares held). This bonus issue was done by appropriating the share premium account.

11. PREFERENCE SHARES

Preference shares	1,652,225	2,102,832
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- 11.1 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.

During the period, the Company has redeemed preference shares amounting to Rs. 450.61 million through cash. Included in this redemption were the preference shares fully redeemed in respect of the preference shareholders whose holding was less than 5% on the date of redemption as per the terms, conditions, rights and privileges of the preference shares.

The Company has also paid cumulative preference dividend amounting to Rs. 236.99 million on prorata basis up to the date of redemption on the preference shares redeemed during the period.

- 11.2 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.
- 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.

The cumulative unpaid dividend as at the balance sheet date amounted to Rs. 876.70 million (2013: Rs. 997.60 million).

Notes to the Condensed Interim Financial Information

for the period ended December 31, 2013 (Un-audited)

- 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.
- d) The Company has a right to convert the preference shares to the extent of 25% of total issue over the life of the initial total issue into ordinary shares by giving fourteen days notice. The conversion of the preference shares will be based on the conversion ratio A/B, where:

A= Rs. 10 (face value of preference share) plus any cumulative unpaid dividend on preference shares being converted up to the applicable date of conversion notice.

B= The higher of (a) par value of ordinary shares i.e. Rupees 10, or (b) an amount representing the previous twelve months trading days' average price of the Company's ordinary shares (adjusted for any bonus or right shares issue) during the previous twelve months quoted in the daily quotation of the Karachi Stock Exchange (KSE) up to the applicable date of conversion notice.

12. RESERVES

To comply with Section 85(c) of the Companies Ordinance, 1984, the Company has created "Redemption Reserve" of Rs. 450.61 million for preference shares redeemed during the period through cash (refer note 11.1).

	December 31, 2013	June 30, 2013 (Audited)
Note		
	(Rupees in thousands)	

13. LONG-TERM FINANCING

From banking companies - secured

Utilized under mark-up arrangements financed by:

Consortium of Banks - Musharaka	13.1	1,500,000	1,500,000
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Term Loans

Allied Bank Limited	13.2	1,500,000	1,500,000
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Faysal Bank Limited	13.3	75,833	135,000
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Bank Alfalah Limited	13.4	220,227	289,773
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		1,796,060	1,924,773
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		3,296,060	3,424,773
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From associated undertakings - unsecured	13.5	1,000,000	1,000,000
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		4,296,060	4,424,773
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Current portion shown under current liabilities		(557,424)	(274,091)
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		3,738,636	4,150,682
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- 13.1 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 commencing 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.



Notes to the Condensed Interim Financial Information

for the period ended December 31, 2013 (Un-audited)

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 10.19% (June 30, 2013: 10.44%) per annum.

- 13.2 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 commencing 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 10.22% (June 30, 2013: 10.38%) per annum.

- 13.3 This term finance facility has been obtained from Faysal Bank Limited amounting to Rs. 180 million specifically for New Box Making Machine and Coal Fired Boiler. The tenor of the facility is four years with twelve months grace period. The finance facility is repayable in twelve equal quarterly installments 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 10.75% (June 30, 2013: 11.79%) per annum.

- 13.4 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 10.51% (June 30, 2013: 11.32%) per annum.

- 13.5 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. June 2013.

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 10.16% (June 30, 2013: 10.41%) per annum.

Notes to the Condensed Interim Financial Information

for the period ended December 31, 2013 (Un-audited)

	Note	December 31, 2013	June 30, 2013 (Audited) (Restated)
(Rupees in thousands)			
14. TRADE AND OTHER PAYABLES			
Creditors		358,051	292,536
Foreign bills payable		241,021	257,984
Accrued liabilities		276,268	201,231
Sales tax payable		46,546	56,991
Customers' balances		34,206	35,491
Provident fund payable		4,910	4,431
Gratuity payable	3.1	30,942	31,339
Workers' Profit Participation Fund		46,587	75,507
Workers' Welfare Fund		17,703	44,805
Unclaimed dividend		735	735
Security deposits		4,100	4,100
Other liabilities		28,753	23,528
		<u>1,089,822</u>	<u>1,028,678</u>
15. INTEREST AND MARK-UP ACCRUED			
Interest and mark-up accrued on:			
Long-term financing		50,672	28,357
Short-term borrowings		14,813	20,784
		<u>65,485</u>	<u>49,141</u>
16. SHORT-TERM BORROWINGS			
From banking companies - secured			
Running finances	16.1	<u>2,030,165</u>	<u>1,413,555</u>

16.1 During the period, the effective mark-up rate for running finance arrangements was 9.97% (June 30, 2013: 10.74%) per annum.

17 CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

a) Guarantees

Guarantees have been issued by banks on behalf of the Company in the normal course of business aggregating to Rs. 355 million (June 30, 2013: Rs. 355 million).

b) Sales tax

The Commissioner Inland Revenue (Appeals) has adjudicated an amount of Rs. 34.43 million as inadmissible input tax adjustment on purchases from a supplier. The Company has filed an appeal against the orders in the Tax Appellate Tribunal. The Company expects a favorable outcome, therefore, no provision has been made for this liability in this financial information.

17.2 Commitments

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



Notes to the Condensed Interim Financial Information

for the period ended December 31, 2013 (Un-audited)

- Letters of credit other than for capital expenditure amounted to Rs. 633.73 million (June 30, 2013: Rs. 348.19 million).
- Capital expenditure including letters of credit amounted to Rs. 80.50 million (June 30, 2013: Rs. 11.86 million).

	Half year ended		Quarter ended	
	December 31, 2013	December 31, 2012 (Restated)	December 31, 2013	December 31, 2012
	(Rupees in thousands)			
18. SALES				
Gross sales	9,497,277	7,674,752	4,588,258	3,959,865
Sales tax	(1,369,880)	(1,055,754)	(659,087)	(544,928)
	<u>8,127,397</u>	<u>6,618,998</u>	<u>3,929,171</u>	<u>3,414,937</u>
19. COST OF SALES				
Materials consumed	4,509,537	3,851,358	2,127,066	1,857,409
Fuel and power	1,125,931	823,623	620,828	412,039
Depreciation on property, plant and equipment	437,659	432,591	218,449	220,899
Salaries, wages and other benefits	267,750	249,194	131,291	125,216
Repairs, maintenance and stores consumption	308,747	261,399	161,962	124,637
Packing expenses	149,837	130,084	74,814	64,020
Insurance	32,349	32,177	16,347	17,125
Provision for slow moving stores and spares	2,400	2,400	1,200	1,200
Rent, rates and taxes	2,321	2,210	1,161	1,105
Manufacturing cost	<u>6,836,531</u>	<u>5,785,036</u>	<u>3,353,118</u>	<u>2,823,650</u>
Work-in-process				
Opening stock	114,192	161,370	306,722	453,063
Closing stock	(284,523)	(459,727)	(284,523)	(459,727)
	<u>(170,331)</u>	<u>(298,357)</u>	<u>22,199</u>	<u>(6,664)</u>
Cost of goods manufactured	<u>6,666,200</u>	<u>5,486,679</u>	<u>3,375,317</u>	<u>2,816,986</u>
Finished goods				
Opening stock	66,657	40,600	53,839	92,193
Closing stock	(61,747)	(52,661)	(61,747)	(52,661)
	<u>4,910</u>	<u>(12,061)</u>	<u>(7,908)</u>	<u>39,532</u>
	<u>6,671,110</u>	<u>5,474,618</u>	<u>3,367,409</u>	<u>2,856,518</u>

20. OTHER OPERATING CHARGES - OTHERS

Other operating charges include donation amounting to Rs. 25 million paid to Hasanali and Gulbanoo Lakhani Foundation in which certain Directors of the Company have an interest as Trustees of the donee.

21. EARNINGS PER SHARE - BASIC AND DILUTED

21.1 Basic earnings per share

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

Notes to the Condensed Interim Financial Information

for the period ended December 31, 2013 (Un-audited)

	Half year ended		Quarter ended	
	December 31, 2013	December 31, 2012 (Restated)	December 31, 2013	December 31, 2012
	(Rupees in thousands)			
Profit for the period	572,511	371,040	175,403	171,154
Less: Dividend attributable to cumulative preference shares	(116,089)	(196,867)	(60,436)	(98,434)
Profit attributable to ordinary shareholders	456,422	174,173	114,967	72,720
Weighted average number of ordinary shares (in thousands)	121,929	97,543	121,929	97,543
Basic earnings per share attributable to ordinary shareholders (Rupees)	3.74	1.79	0.94	0.75

21.2 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	456,422	174,173	114,967	72,720
Dividend for the period on convertible preference shares	42,213	-	21,107	-
	498,635	174,173	136,074	72,720
Weighted average number of ordinary shares	121,929	97,543	121,929	97,543
Incremental number of shares from potential conversion of preference shares	35,922	-	35,922	-
	157,851	97,543	157,851	97,543
Diluted earnings per share	3.16	1.79	0.86	0.75

Note
December 31, 2013
December 31, 2012
(Rupees in thousands)

22. CASH GENERATED FROM OPERATIONS

Profit before taxation	867,444	544,789
Adjustment for non cash charges and other items:		
Depreciation	449,886	443,399
Amortization of intangible assets	5,978	5,856
Gain on sale of property, plant and equipment	(215)	(349)
Provision for gratuity	9,820	11,097
Provision for slow moving stores and spares	2,400	2,400
Workers' profit participation fund	46,587	29,199
Finance cost	296,677	401,933
Working capital changes	(792,163)	(303,324)
	18,970	590,211
	886,414	1,135,000



Notes to the Condensed Interim Financial Information

for the period ended December 31, 2013 (Un-audited)

December 31, 2013 December 31, 2012
(Rupees in thousands)

22.1 Changes in working capital

(Increase) / decrease in current assets		
Stores and spares	(115,721)	(25,837)
Stock-in-trade	(487,676)	(245,721)
Trade debts	(325,074)	(59,490)
Loans and advances	18,854	(45,599)
Trade deposits and short-term prepayments	(27,580)	(39,701)
Other receivables	3,217	127,254
Tax refunds due from Government	44,806	-
	(889,174)	(289,094)
Increase / (decrease) in current liabilities		
Trade and other payables	97,011	(14,230)
	(792,163)	(303,324)

23 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

23.1 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, 2013	December 31, 2012	December 31, 2013	December 31, 2012
			(Rupees in thousands)			
Associated companies / undertakings	Sales of goods and services		802,148	582,161	421,976	301,829
	Purchase of goods and services		128,544	115,367	22,990	27,626
	Rent and other allied charges		3,138	2,847	1,569	1,361
	Insurance agency commission		4,800	4,500	2,400	2,250
	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		51,192	-	26,037	-
	Receipt of insurance claim		-	132,500	-	132,500
Sponsors and Directors	Issue of bonus shares		48	-	48	-
	Redemption of preference shares		318	-	318	-
	Dividend paid on redemption of preference shares		167	-	167	-
	Mark-up accrued		-	72,088	-	36,044
Retirement benefit plans	Contribution to staff retirement benefit plans		24,117	25,084	11,860	12,449
Key Management Personnel	Remuneration and other benefits	23.3	104,138	84,839	46,120	38,244

Notes to the Condensed Interim Financial Information

for the period ended December 31, 2013 (Un-audited)

	December 31, 2013	June 30, 2013 (Audited) (Restated)
	(Rupees in thousands)	
23.2 Period / year end balances		
Receivable from related parties	187,085	119,010
Payable to related parties	65,659	36,647
Long-term financing from associated undertaking	1,000,000	1,000,000
Mark-up on long-term financing from associated undertaking	26,037	3,715

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

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

24. 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, 2013 are located in Pakistan.

25. 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, 2013.

26. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on February 14, 2014 by the Board of Directors of the Company.

27. 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.

28. 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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