



Century Paper & Board Mills Limited

Third Quarter Report
March 2014



Clean - Green - Sustainable

Contents

	PAGE
Corporate Information	2
Directors' Review	3-4
Condensed Interim Balance Sheet	5
Condensed Interim Profit and Loss Account	6
Condensed Interim Statement of Comprehensive Income	7
Condensed Interim Statement of Cash Flows	8
Condensed Interim Statement of Changes in Equity	9
Notes to the Condensed Interim Financial Information	10-20

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 along with the financial statements for the third quarter ended March 31, 2014 and for the nine month period (July 2013 to March 2014) ended on the same date.

Company's Operating Performance

The production for the period under review (July 2013 to March 2014) was 137,903 MT as compared to 143,940 MT of the comparable period last year. This includes production of 32,470 MT for the quarter under review as compared to 47,425 MT of the same period last year.

The lower production for the quarter and the nine months for the period under review as compared to respective periods of last year was for the reason that due to the load management policy of the Utility Company, the supply of Gas to the Company was shut down from the mid of December 2013 to March 2014. The Company only produced that quantity which was strategically important during the third quarter due to the high cost of alternate fuels.

Sales Review

The Company achieved a sale volume of 129,168 MT for the period under review (July 2013 to March 2014) as compared to 133,304 MT sold in the comparable period of last year. This includes current quarter (January-March 2014) sales of 32,847 MT as compared to 48,069 MT of the same quarter last year. The lower sale volume in the current quarter is the resultant factor of lower production of the current quarter.

In terms of value the net sales of the Company for the period under review (July 2013 to March 2014) were Rs. 11,026 million as compared to Rs. 10,415 million of the comparable period of last year. The better sales value is the result of better average selling price from the comparable period of last year offset by the lower volumes.

The sales of the current quarter (January-March 2014) stood at of Rs. 2,898 million as compared to Rs. 3,796 million of the comparable quarter of last year.

Financial Review

The financials of the Company showed a little deterioration because of the lower volume and increased cost (mainly due to energy). Furthermore an adjustment of around Rs. 120 million was made by the Gas Company due to the GIDC which was not charged earlier due to court order.

For the period under review (July 2013 to March 2014), the Company's gross profit figure showed a decline and stood at Rs. 1,519 million as compared to gross profit of Rs. 1,763 million of the comparable period of last year.

Similarly the operating profit figure for the period under review (July 2013 to March 2014) also declined and stood at Rs. 1,141 million as compared to Rs. 1,457 million of the comparable period of last year.

Directors' Review

After providing for the financial expenses of Rs. 459 million (reduced from Rs. 557 million) and taxation of Rs. 232 million, the Company posted a net profit after tax of Rs. 450 million, for the period under review (July 2013 to March 2014), as compared to profit after tax of Rs. 582 million of the comparable period of the last year.

Earnings per Share

Earnings per share for the nine months ended March 31, 2014, after taking into account the preference share dividend stood at Rs. 2.36 as compared to Rs. 2.95 per share for the same period last year.

Conversion of Preference shares

The Board of Directors, in their meeting, held on April 28, 2014 has resolved to convert on May 30th 2014, 75,101,140 preference shares into approximately 27,326,000 Ordinary Shares as per the formula of the Conversion Option given in the rights, privileges, terms and conditions of preference shares. This conversion is full and final conversion as per the terms and conditions of preference shares.

Near Term Outlook

Depending on the gas supply (which has not restored fully at the time of writing of report) your Directors are not much optimistic of attaining the full capacity utilization for the ensuing quarter. However the use of alternate energy wherever feasible will be made to achieve the optimal production and sales.

Acknowledgments

Your Directors and management deeply appreciate the continued support and commitment of all the stakeholders especially the financial institutions. They are especially thankful to its customers who have shown their understanding and loyalty to the Company's product despite the erratic supplies during the quarter under review.

They are also thankful for the continued hard and sincere work of the employees of the Company, of all cadres.

On behalf of the Board of Directors



Aftab Ahmad

Chief Executive Officer

Karachi: April 28, 2014



Condensed Interim Balance Sheet

as at March 31, 2014 (Un-audited)

	Note	March 31, 2014	June 30, 2013 (Audited) (Restated) — (Rupees in thousands) —
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	6	8,296,916	8,808,166
Operating fixed assets	7	96,708	48,532
Capital work in progress		8,393,624	8,856,698
Intangible assets		4,121	11,403
Long-term loans and advances		5,430	4,501
Long-term deposits		2,829	2,829
		8,406,004	8,875,431
CURRENT ASSETS			
Stores and spares	8	890,836	866,735
Stock-in-trade	9	2,253,077	2,015,766
Trade debts (unsecured - considered good)		1,226,582	1,184,771
Loans and advances (unsecured - considered good)		81,278	36,229
Trade deposits and short-term prepayments		32,448	11,841
Other receivables (unsecured - considered good)		8,534	11,059
Tax refunds due from Government		141,291	48,016
Taxation - net		140,466	148,082
Cash and bank balances		39,040	77,161
		4,813,552	4,399,660
TOTAL ASSETS		13,219,556	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	2,709,843	2,656,012
		5,581,358	5,819,096
NON - CURRENT LIABILITIES			
Long-term financing	13	3,543,031	4,150,682
Deferred taxation		661,339	539,848
		4,204,370	4,690,530
CURRENT LIABILITIES			
Trade and other payables	14	702,445	1,028,678
Interest and mark-up accrued	15	75,965	49,141
Short-term borrowings	16	1,947,994	1,413,555
Current portion of long-term financing	13	707,424	274,091
		3,433,828	2,765,465
CONTINGENCIES AND COMMITMENTS			
	17		
TOTAL EQUITY AND LIABILITIES		13,219,556	13,275,091

The annexed notes from 1 to 29 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 Profit and Loss Account

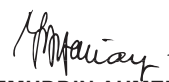
for the period ended March 31, 2014 (Un-audited)

	Note	Nine months ended		Quarter ended	
		March 31, 2014	March 31, 2013 (Restated)	March 31, 2014	March 31, 2013
		(Rupees in thousands)			
Sales - net	18	11,025,573	10,415,267	2,898,176	3,796,269
Cost of sales	19	(9,507,034)	(8,652,577)	(2,835,924)	(3,177,959)
Gross profit		1,518,539	1,762,690	62,252	618,310
General and administrative expenses		(261,398)	(222,423)	(89,278)	(73,155)
Selling expenses		(30,255)	(27,888)	(10,392)	(10,209)
Distribution expenses		(68,388)	(54,213)	(21,179)	(19,377)
Other operating charges					
Workers' Profit Participation Fund		(36,606)	(48,256)	9,981	(19,057)
Workers' Welfare Fund		(13,910)	(18,337)	3,793	(7,241)
Others	20	(42,973)	(8,756)	(6,786)	(3,988)
		(93,489)	(75,349)	6,988	(30,286)
Other income		75,590	73,715	28,087	24,527
Operating profit / (loss)		1,140,599	1,456,532	(23,522)	509,810
Finance cost		(458,991)	(556,907)	(162,314)	(154,974)
Profit / (loss) before taxation		681,608	899,625	(185,836)	354,836
Taxation					
Current		(110,256)	(52,076)	(28,982)	(18,981)
Deferred		(121,491)	(265,654)	92,168	(125,000)
		(231,747)	(317,730)	63,186	(143,981)
Profit / (loss) for the period		449,861	581,895	(122,650)	210,855
Basic earnings / (loss) per share (Rupees)	21	2.36	2.95	(1.38)	1.16
Diluted earnings / (loss) per share (Rupees)	21	2.34	2.95	(0.98)	1.16

The annexed notes from 1 to 29 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 March 31, 2014 (Un-audited)

	Nine months ended		Quarter ended	
	March 31, 2014	March 31, 2013 (Restated)	March 31, 2014	March 31, 2013
	(Rupees in thousands)			
Profit / (loss) for the period	449,861	581,895	(122,650)	210,855
Other comprehensive income				
Remeasurement of defined benefit liability - net	-	(1,634)	-	-
Total comprehensive income / (loss) for the period	449,861	580,261	(122,650)	210,855

The annexed notes from 1 to 29 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 March 31, 2014 (Un-audited)

	Note	March 31, 2014	March 31, 2013
		— (Rupees in thousands) —	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	22	1,179,553	2,126,588
Finance cost paid		(432,167)	(628,804)
Taxes paid - net		(240,721)	(129,085)
Gratuity paid		(15,127)	(18,544)
Workers' profit participation fund paid		(75,507)	(42,403)
Long-term loans and advances - net		(929)	(3,294)
Net cash generated from operating activities		415,102	1,304,458
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(128,006)	(263,821)
Proceeds from sale of property, plant and equipment		2,261	4,447
Net cash used in investing activities		(125,745)	(259,374)
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of preference shares		(450,607)	-
Proceeds from long-term financing from banking companies		-	1,627,500
Repayment of long-term financing from banking companies		(174,318)	(3,462,954)
Dividend paid on preference shares		(236,992)	-
Net cash used in financing activities		(861,917)	(1,835,454)
Net decrease in cash and cash equivalents		(572,560)	(790,370)
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		(1,908,954)	(2,211,069)
CASH AND CASH EQUIVALENTS			
Cash and bank balances		39,040	111,755
Short-term borrowings		(1,947,994)	(2,322,824)
		(1,908,954)	(2,211,069)

The annexed notes from 1 to 29 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 March 31, 2014 (Un-audited)

	Issued, subscribed and paid-up capital		Capital			Reserves			Sub-total	Total
			Share premium	Merger reserve	Redemption reserve	Total	General reserve	Unappropriated profit		
	Ordinary share capital	Preference share capital								
Balance as at July 1, 2012	706,834	3,004,046	984,652	7,925	-	992,577	1,232,750	(121,899)	1,110,851	2,103,428
Effect of change in accounting policy-Note 3.1	-	-	-	-	-	-	-	(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
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 March 31, 2013	-	-	-	-	-	-	-	-	-	-
Profit for the period as restated	-	-	-	-	-	-	-	-	-	-
Remeasurement of defined benefit liability - net	-	-	-	-	-	-	-	-	-	-
Balance as at March 31, 2013 (Restated)	848,201	3,004,046	843,285	7,925	-	851,210	1,232,750	440,205	1,672,955	2,524,165
Balance as at July 1, 2013	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
Effect of change in accounting policy-Note 3.1	-	-	-	-	-	-	-	(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
Transactions with owners										
15,903,770 ordinary shares of Rs. 10/- each issued as fully paid bonus shares	159,038	(450,607)	(159,038)	-	-	(159,038)	-	-	-	(450,607)
Redemption of preference shares	-	-	-	-	-	-	-	(236,992)	(236,992)	(236,992)
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)	(396,030)	(687,599)
	-	-	-	-	450,607	450,607	-	(450,607)	(450,607)	-
Total comprehensive income for the period ended March 31, 2014	-	-	-	-	-	-	-	449,861	449,861	449,861
Profit for the period	-	-	-	-	-	-	-	449,861	449,861	449,861
Balance as at March 31, 2014	1,219,290	1,652,225	888,897	7,925	931,254	1,828,076	313,226	568,541	881,767	2,709,843
										5,581,358

The annexed notes from 1 to 29 form an integral part of these condensed interim financial information.

Aftab Ahmad

AFTAB AHMAD
Chief Executive Officer

Tasleemuddin Ahmed Batlay

TASLEEMUDDIN AHMED BATLAY
Director

CENTURY PAPER & BOARD MILLS LIMITED



Notes to the Condensed Interim Financial Information

for the period ended March 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 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 nine months ended March 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, 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 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 nine months ended March 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

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 / (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 are 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 thereby 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 March 31, 2014 (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)			
Condensed 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			
- De-recognition of actuarial losses on retirement benefit plans (net of tax)	450	450	-
Condensed interim statement of comprehensive income			
Decrease due to recognition of actuarial losses on retirement benefit plans (net of tax)	1,634	1,634	-

- b) The Company has changed its accounting policy for stand-by spares in line with 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 of Rs. 91.42 million were capitalised during the period and have been classified under the head "plant and machinery" which were previously shown under "stores and spares".

- 3.2 The other standards, amendments and interpretations of approved accounting standards 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 nine months and quarter ended March 31, 2014, 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 March 31, 2014 (Un-audited)

	Note	March 31, 2014	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	165,660	469,411
		8,973,826	9,708,477
Disposals (NBV) during the period / year	6.2	(1,989)	(4,242)
Depreciation charge for the period / year		(674,921)	(896,069)
		(676,910)	(900,311)
Closing net book value (NBV)		8,296,916	8,808,166
6.1 Detail of additions (at cost) during the period / year are as follows:			
Buildings on freehold land		335	13,028
Plant and machinery	3.1	130,708	418,954
Furniture and fixtures		-	87
Vehicles		11,080	25,886
Electrical and other equipments		2,759	5,752
Computers		20,778	5,704
		165,660	469,411
6.2 Detail of disposals (NBV) during the period / year are as follows:			
Plant and machinery		-	239
Vehicles		1,989	4,003
		1,989	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		77,947	280,513
		126,479	480,291
Transfer to operating fixed assets during the period / year		(29,771)	(431,759)
Closing balance		96,708	48,532
8. STORES AND SPARES			
Stores		235,590	186,864
Spares			
in hand		669,554	683,984
in transit		18,618	25,213
		688,172	709,197
		923,762	896,061
Provision for slow moving stores and spares		(32,926)	(29,326)
		890,836	866,735

Notes to the Condensed Interim Financial Information

for the period ended March 31, 2014 (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.

**March 31,
2014** June 30,
2013
(Audited)
(Rupees in thousands)

9. STOCK-IN-TRADE

Raw materials		
in hand	1,909,634	1,448,977
in transit	126,666	385,940
	2,036,300	1,834,917
Work-in-process	156,948	114,192
Finished goods	59,829	66,657
	2,253,077	2,015,766

10. ORDINARY SHARES

1,219,290 1,060,252

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

1,652,225 2,102,832

- 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 was the preference shares fully redeemed to the shareholder 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 pro-rata basis up to the date of redemption on the preference shares redeemed during the period.

- 11.2 The followings are the terms, conditions, 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.

Notes to the Condensed Interim Financial Information

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

The cumulative dividend as at the balance sheet date amounted to Rs. 922.12 million (June 30, 2013: Rs. 997.60 million).

- 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 into ordinary shares to the extent of 25% of the total initial issue over the life of preference 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.

	Note	March 31, 2014	June 30, 2013 (Audited)
		(Rupees in thousands)	
12. RESERVES		2,709,843	2,656,012
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).			
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
Term Loans			
Allied Bank Limited	13.2	1,500,000	1,500,000
Faysal Bank Limited	13.3	65,000	135,000
Bank Alfalah Limited	13.4	185,455	289,773
		1,750,455	1,924,773
		3,250,455	3,424,773
From associated undertakings - unsecured	13.5	1,000,000	1,000,000
		4,250,455	4,424,773
Current portion shown under current liabilities		(707,424)	(274,091)
		3,543,031	4,150,682

Notes to the Condensed Interim Financial Information

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

- 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.

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 10.38% (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 10.47% (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 10.95% (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 10.73% (June 30, 2013: 11.32%) per annum.

- 13.5 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. 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 10.43% (June 30, 2013: 10.41%) per annum.

Notes to the Condensed Interim Financial Information

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

	Note	March 31, 2014	June 30, 2013 (Audited) (Restated)
(Rupees in thousands)			
14. TRADE AND OTHER PAYABLES			
Creditors		314,249	292,536
Foreign bills payable		102,950	257,984
Accrued liabilities		97,545	201,231
Sales tax payable		23,351	56,991
Customers' balances		42,994	35,491
Provident fund payable		4,827	4,431
Gratuity payable	3.1	30,942	31,339
Workers' Profit Participation Fund		36,606	75,507
Workers' Welfare Fund		13,910	44,805
Unclaimed dividend		735	735
Security deposits		4,400	4,100
Other liabilities		29,936	23,528
		<u>702,445</u>	<u>1,028,678</u>
15. INTEREST AND MARK-UP ACCRUED			
Interest and mark-up accrued on:			
Long-term financing		50,854	28,357
Short-term borrowings		25,111	20,784
		<u>75,965</u>	<u>49,141</u>
16. SHORT-TERM BORROWINGS			
From banking companies - secured			
Running finances	16.1	1,818,765	1,413,555
Import credit finances		129,229	-
		<u>1,947,994</u>	<u>1,413,555</u>

16.1 During the period, the effective mark-up rates for running finances and import credit finance are 10.25% (June 30, 2013: 10.74%) per annum and 3.25% (June 30, 2013: nil) per annum respectively.

17. CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

Guarantees have been issued by banks on behalf of the Company in the normal course of business aggregating to Rs. 365 million (June 30, 2013: Rs. 355 million).

17.2 Commitments

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

- Letters of credit other than for capital expenditure amounted to Rs. 322.07 million (June 30, 2013: Rs. 348.19 million).
- Capital expenditure including letters of credit amounted to Rs. 79.48 million (June 30, 2013: Rs. 11.86 million).

Notes to the Condensed Interim Financial Information

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

	Nine months ended		Quarter ended	
	March 31, 2014	March 31, 2013 (Restated)	March 31, 2014	March 31, 2013
	(Rupees in thousands)			
18. SALES				
Gross sales	12,882,461	12,075,378	3,385,184	4,400,626
Sales tax	(1,856,888)	(1,660,111)	(487,008)	(604,357)
	<u>11,025,573</u>	<u>10,415,267</u>	<u>2,898,176</u>	<u>3,796,269</u>
19. COST OF SALES				
Materials consumed	5,963,619	5,738,513	1,454,082	1,887,155
Fuel and power	1,827,803	1,287,653	701,872	464,030
Depreciation on property, plant and equipment	655,836	654,100	218,177	221,509
Salaries, wages and other benefits	397,073	375,716	129,323	126,522
Repairs, maintenance and stores consumption	445,540	406,509	136,793	145,110
Packing expenses	197,247	201,486	47,410	71,402
Insurance	48,763	49,752	16,414	17,575
Provision for slow moving stores and spares	3,600	3,600	1,200	1,200
Rent, rates and taxes	3,481	3,315	1,160	1,105
Manufacturing cost	<u>9,542,962</u>	<u>8,720,644</u>	<u>2,706,431</u>	<u>2,935,608</u>
Work-in-process				
Opening stock	114,192	161,370	284,523	459,727
Closing stock	(156,948)	(197,823)	(156,948)	(197,823)
	<u>(42,756)</u>	<u>(36,453)</u>	<u>127,575</u>	<u>261,904</u>
Cost of goods manufactured	<u>9,500,206</u>	<u>8,684,191</u>	<u>2,834,006</u>	<u>3,197,512</u>
Finished goods				
Opening stock	66,657	40,600	61,747	52,661
Closing stock	(59,829)	(72,214)	(59,829)	(72,214)
	<u>6,828</u>	<u>(31,614)</u>	<u>1,918</u>	<u>(19,553)</u>
	<u>9,507,034</u>	<u>8,652,577</u>	<u>2,835,924</u>	<u>3,177,959</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 / (LOSS) PER SHARE - BASIC AND DILUTED

21.1 Basic earnings / (loss) per share

The earnings / (loss) per share as required under IAS 33 "Earnings per share" is given below:

Notes to the Condensed Interim Financial Information

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

	Nine months ended		Quarter ended	
	March 31, 2014	March 31, 2013 (Restated) (Rupees in thousands)	March 31, 2014	March 31, 2013
Profit / (loss) for the period	449,861	581,895	(122,650)	210,855
Less: Dividend attributable to cumulative preference shares	(161,514)	(294,232)	(45,425)	(97,365)
Profit attributable to ordinary shareholders	<u>288,347</u>	<u>287,663</u>	<u>(168,075)</u>	<u>113,490</u>
Weighted average number of ordinary shares (in thousands)	<u>121,929</u>	<u>97,543</u>	<u>121,929</u>	<u>97,543</u>
Basic earnings / (loss) per share attributable to ordinary shareholders (Rupees)	<u>2.36</u>	<u>2.95</u>	<u>(1.38)</u>	<u>1.16</u>

21.2 Diluted earnings / (loss) 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 / (loss) attributable to ordinary shareholders	288,347	287,663	(168,075)	113,490
Dividend for the period on convertible preference shares	62,861	-	20,648	-
	<u>351,208</u>	<u>287,663</u>	<u>(147,427)</u>	<u>113,490</u>
Weighted average number of ordinary shares	121,929	97,543	121,929	97,543
Incremental number of shares from potential conversion of preference shares	28,450	-	28,450	-
	<u>150,379</u>	<u>97,543</u>	<u>150,379</u>	<u>97,543</u>
Diluted earnings / (loss) per share	<u>2.34</u>	<u>2.95</u>	<u>(0.98)</u>	<u>1.16</u>

March 31,
2014
(Rupees in thousands)

22. CASH GENERATED FROM OPERATIONS

Profit before taxation	681,608	899,625
Adjustment for non cash charges and other items:		
Depreciation	674,921	670,535
Amortization of intangible assets	8,982	8,785
Gain on sale of property, plant and equipment	(271)	(1,071)
Provision for gratuity	14,730	17,198
Provision for slow moving stores and spares	3,600	3,600
Workers' profit participation fund	36,606	48,256
Finance cost	458,991	556,907
Working capital changes	(699,614)	(77,247)
	<u>497,945</u>	<u>1,226,963</u>
	<u>1,179,553</u>	<u>2,126,588</u>

Notes to the Condensed Interim Financial Information

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

22.1 Changes in working capital

	March 31, 2014 (Rupees in thousands)	March 31, 2013
Decrease / (increase) in current assets		
Stores and spares	(119,122)	(49,480)
Stock-in-trade	(237,311)	(59,962)
Trade debts	(41,811)	(181,185)
Loans and advances	(45,049)	(11,669)
Trade deposits and short-term prepayments	(20,607)	(29,366)
Other receivables	2,525	127,350
Tax refunds due from Government - Sales tax	44,806	-
	(416,569)	(204,312)
(Decrease) / increase in current liabilities		
Trade and other payables	(283,045)	127,065
	(699,614)	(77,247)

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	Nine months ended		Quarter ended	
			March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
(Rupees in thousands)						
Associated companies	Sales of goods and services		1,218,016	1,003,324	415,868	421,163
	Purchase of goods and services		147,824	135,722	19,280	20,355
	Rent and other allied charges		4,707	4,379	1,569	1,532
	Insurance agency commission		7,200	7,350	2,400	2,850
	Issue of bonus shares		97,890	-	-	-
	Redemption of preference shares		440,184	-	-	-
	Dividend paid on redemption of preference shares		231,510	-	-	-
	Donation		25,000	-	-	-
	Mark-up accrued		78,291	-	27,099	-
	Receipt of insurance claim		-	132,500	-	-
Sponsors and Directors	Issue of bonus shares		48	-	-	-
	Redemption of preference shares		318	-	-	-
	Dividend paid on redemption of preference shares		167	-	-	-
	Mark-up accrued		-	107,348	-	35,260
Retirement benefit plans	Contribution to staff retirement benefit plans		35,959	37,485	11,842	12,401
Key Management Personnel	Remuneration and other benefits	23.3	149,484	127,948	45,346	43,109

Notes to the Condensed Interim Financial Information

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

	March 31, 2014	June 30, 2013 (Audited) (Restated)
	(Rupees in thousands)	
23.2 Period / year end balances		
Receivable from related parties	186,811	119,010
Payable to related parties	40,410	36,647
Long-term financing from associated undertaking	1,000,000	1,000,000
Mark-up on long-term financing from associated undertaking	27,099	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

- a) These financial statements have been prepared on the basis of single reportable segment.
- b) All sales of the Company relate to customers in Pakistan.
- c) All non-current assets of the Company as at March 31, 2014 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 April 28, 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. EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors, in their meeting held on April 28, 2014, has resolved to convert 75,101,140 preference shares into approximately 27,326,000 Ordinary Shares on May 30, 2014, as per the formula of the Conversion Option given in the rights, privileges, terms and conditions of preference shares (refer note 11.2d). This conversion is full and final conversion as per the terms and conditions of preference shares.

29. GENERAL

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




AFTAB AHMAD
Chief Executive Officer


TASLEEMUDDIN AHMED BATLAY
Director

THIRD QUARTER REPORT MARCH 2014



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