



The Board of Directors:

From Right: Mr. Aftab Ahmad, Mr. Zafar Iqbal Sobani, Syed Shabahat Hussain, Mr. Iqbal Ali Lakhani, Mr. Tasleemuddin Ahmed Batlay, Mr. Zulfiqar Ali Lakhani

Extreme Left: Mr. Ramzan Ali Halani (Company Secretary)

Not Present: Mr. Amin Mohammed Lakhani

Directors' Report

The Directors are pleased to present the Annual Report along with the audited financial statements for the year ended June 30, 2006.

The economy of the country in the year under review continued the bullish trend which is being maintained in the last few years. Visible signs of growth are being witnessed in various sectors as a result of overall economic prosperity owing to increase in per capita income and reduction in poverty level. However, the country economic managers are still facing lot of challenges and we hope that these are mitigated to ensure continuity in the economic progress in the country.

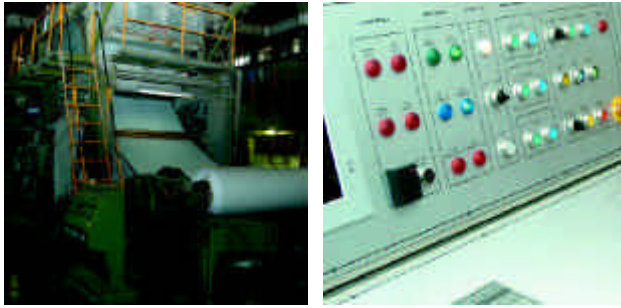
The Paper and Board industry showed robust growth during the year. The overall sector showed a double digit growth. This promises a healthy growth in this segment.

COMPANY OPERATIONS

Overview

The sales for the year showed improvement over the last year. Further, new production facilities which included PM6 the paper machine, Online Coating on existing Board machine and other BMR aggregating in total of Rs 715 Million came on stream during the year under review. However, these new investments contributed low revenues as a result of streamlining them in achieving the desired product quality and capacities.

In addition to the above there were increases in the input cost resulting in dilution of the gross margins and over all profitability of the Company also suffered due to substantial increase in the interest cost for the projects undertaken over the last two to three years.



A Small Push Button to Start a Paper Machine

A thousand mile journey begins with a first step - and this is a small Push Button used to Start, Accelerate and Stop the Huge Paper & Board Machines. It is rather impossible to do any Electromechanical Operations of any type without taking this first step.

Production

During the year under review the overall production of the Company increased by 7% over the last year as a result of addition of one Paper Machine (PM-6) during the second half of the financial year. Online Coating on one of the Board Machine was also fully functional during the year. The production of the Box making plant increased by 50% as a result of incremental orders received, this is due to acceptability of our product by customers due to quality and better service. The production of indigenous Straw Pulp which is used as fiber in our final product was satisfactory and the capacity is fully capable to support the existing production requirements.

Sales and Marketing

Increase in domestic demand of Paper and Board products during the year under review remained in line with our expectations and your Company continued to play its role as a key player in meeting the demand of quality segment with its available capacity and further strengthened its position as the most reliable source of Quality Packaging Paper and Board products in the country.

As a part of your Company's strategy we are dealing directly with the leading Printers and Converters of Pakistan equipped with the state-of-the-art latest technology and machines. This strategy has helped a lot to develop our products to best suit customers' requirements.

Your Company is closely monitoring the build up of capacities locally as well as in the region. Continual efforts to increase our capacities, improve quality of products and services are the part of our strategy to face the future challenges. Insha Allah on the completion of expansion projects, your Company will stay as the market leader in Packaging Boards and may also explore export of its products in the region as well.

In Box Business, your Company has a portfolio of some key customers in quality market segment. In spite of challenging business environment sales volumes and value are continuously increasing to meet the growing demand. We will continue to strive for bringing further efficiencies in this business to improve our market share in the challenging market scenario.

Expansion Plan

As informed earlier in our previous review to the shareholders, the Company launched in the second quarter of the year its expansion project of over Rs 7.5 Billion in view of the packaging board demand in the country. Currently the gap between demand and supply is being met through imports. This expansion project is key to maintaining and improving the position of your Company as one of the major players in Paper and Board industry in Pakistan. This expansion envisages installing a new Board Machine which will increase the capacity by 130,000 M. Tons of packaging Board, representing more than 100% increase in existing capacity of your Company.

The work on the project is well on track. Agreements with the foreign vendors for the supply of Board Machine and Co-generation Power Plant were concluded. Civil works on the land purchased for this project is also in full swing.

With the grace of Allah, we successfully raised Rs 1.29 Billion through the hundred percent right issue at premium. The financial sector in the country have also reposed trust and full confidence in the Company by forming a syndicate which constitutes seven banks who have agreed to lend Rs 5.5 Billion for a ten year period. We expect that the commercial production will Insha Allah begin in the first quarter of calendar year 2008.



A Small Nozzle (Paper Cutter)

For Correct Paper Size / Side Edge

This is a Small Nozzle with a very thin Orifice in its Centre; Ejecting water jet, Clean Cutting Wet Paper Web to the required width.

This is so important that it is impossible to run Paper & Board Machine without it.

Financial Review

Gross sales for the year under review amounted to Rs 3.84 Billion showed 11% growth over last year, this increase is as a result of volume gains, favorable product mix and improvement in the selling prices during the year.

Gross profit for the year under review amounted to Rs 459 Million is lower than last year, in spite of volume increase during the year. This is primarily due to lower contribution during the gestation period of our new investments, increase in the cost of raw materials specially wheat straw and other key input cost.

Financial charges for the year under review amounted to Rs 78 Million are three and half times higher than last year. This increase is attributable due to increase in interest rates and higher borrowings on the capital projects completed during the year along with the incremental working capital requirement.

Profit before tax for the year under review of Rs 308 Million and Profit after tax of Rs 204 Million are lower than last year due to factors explained in the preceding paragraph.

Cash Flow

Cash generated from operations during the year under review was Rs 547 Million (2005: Rs 526 Million). This

is after adjusting for increase in working capital of Rs 85 Million (2005: Rs 87 Million). Taxes paid for the year amounted to Rs 78 Million (2005: Rs 88 Million).

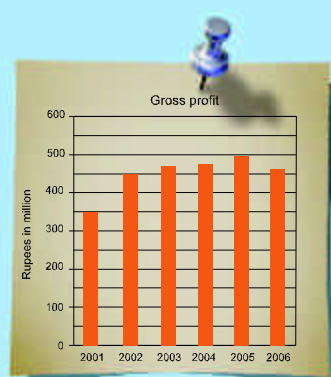
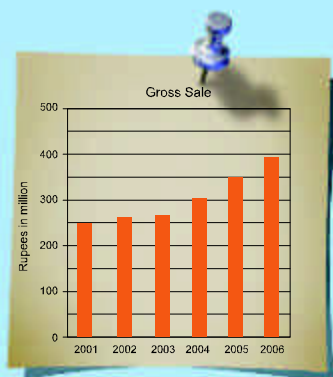
Capital expenditure for the year of Rs 1.49 Billion (2005: Rs 591 Million) was incurred towards expansion projects, efficiency improvements, plant reliability and normal replacement of operating assets.

CAPITAL STRUCTURE AND FINANCE

Shareholder's funds at the year end increased to Rs 2.82 Billion compared to Rs 1.48 Billion at the end of last year. This increase is due to 100% issue of right shares of par value of Rs 10/- at a premium of Rs 30/- per share aggregating to Rs 1.29 Billion during the last quarter of the current financial year.

Overall long term financing at the year end increased to Rs 773 Million (2005: Rs 672 Million) due to drawdown for the ongoing capital projects of Rs 240 Million, offset by repayment of long term loans of Rs 139 Million.

The balance sheet gearing (Company's long term debt to equity ratio) for the year ended is 22:78 (2005: 31:69). The liquidity position is comfortable for the current financial year as depicted by current ratio of 1.30 (2005: 1.30).





Shower Nozzle

It is a little nozzle, but a vital organ of huge Paper Machine. It not only Cleans the machine Clothing but also is instrumental in Uniform Quality Paper & Board Production.

APPROPRIATION

The appropriation has been approved by the Board of Directors are as follows:

(Rupees in thousands)

Profit after taxation	203,859
Add: Unappropriated profit brought forward	<u>238,573</u>
Profit available for appropriation	442,432
Appropriations:	
Final dividend - 2005 at Rs 4.50 per share	(144,580)
Transfer to general reserves	(93,000)
	(237,580)
Unappropriated profit carried forward	<u>204,852</u>

Subsequent Effects

The Board of Directors approved transfer to General Reserve an amount of Rs 204 Million.

In view of meeting cash flow requirement for the ongoing project of PM-7 the Directors have decided to skip the dividend for the year ended June 30, 2006.

CORPORATE AWARD

For the third year in a row, your Company has been awarded the KSE Top 25 Companies award for the year 2004.

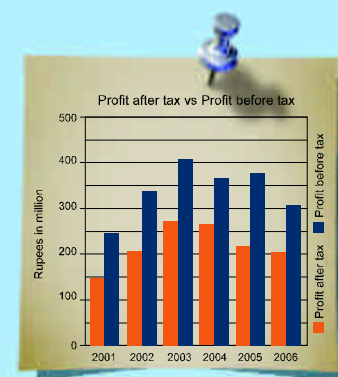
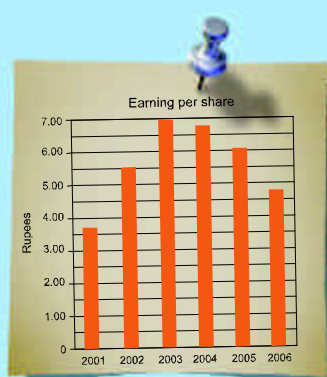
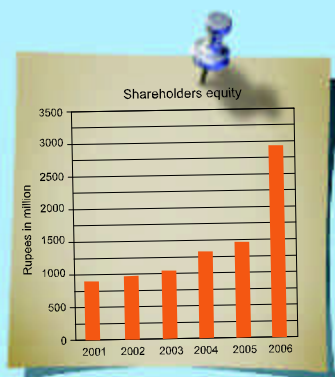
CONTRIBUTION TO NATIONAL ECONOMY

During the year under review the Company has paid Rs 630 Million in the form of various kinds of taxes including income tax, sales tax and custom duty as compared to Rs 590 Million last year. The Company's composite contribution during the last ten years exceeds Rs 5 Billion.

CORPORATE SOCIAL RESPONSIBILITY

We firmly believe that the corporate sector has to lead by example in supporting the government in respect of its efforts in the social sector. The main areas of focus in this regard are education and health. During the year your Company supported a number of schools and other institutions in the vicinity of our factory.

The Company also contributed modestly towards the earthquake relief efforts during the year through its own contribution and in addition also matched the contribution of our employees.





A Steel Plate for Sample Cutting

These stainless steel Plates are Templates for cutting the Paper and Board to Evaluate Samples of the In-process and Processed Product according to Quality Assurance Standards. This is not only a Tool for Uniform Sampling but also an Aid to Preserve the Historical Records of the Production Quality.

SAFETY, HEALTH AND ENVIRONMENT (SHE)

The Company is committed to safety, health and environment, and being an environment friendly Company, it takes great care of communities in which it operates. Century products benefit the society. We consume a big quantity of recyclable waste paper and contribute to waste reduction.

We are committed to safeguard of environment and strive continuously to improve our operations in order to be friendlier to our surroundings. The conversion of Power Generators from Furnace Oil to Gas was completed in the current year.

Our new project Board Machine (PM 7), will, by using Deinked Pulp reduce environmental pollution by replacing Straw Pulp. We intend to build a dedicated power-plant for that project which will meet all the current environmental standards.

We have implemented an Environmental Management System (EMS) in compliance to ISO 14001:2004 standard requirements and are in process to get the certification in due course.

HUMAN RESOURCES

Total number of permanent employees as at June 30, 2006 were 1076 (2005: 953). This increase primarily was due to the change in cadre of some temporary employees. We feel that way forward this will be one of the key area in view of increase in demand of skilled manpower due to the economic scenario in the country and your Company is preparing for this and is strengthening human resources in view of our coming project.

AUDITORS

The auditors BDO Ebrahim & Co. retire and offer themselves for re-appointment. The Board Audit Committee and the Board of Directors of the Company have endorsed their appointment for shareholders consideration at the forthcoming Annual General Meeting. The external auditors have been given

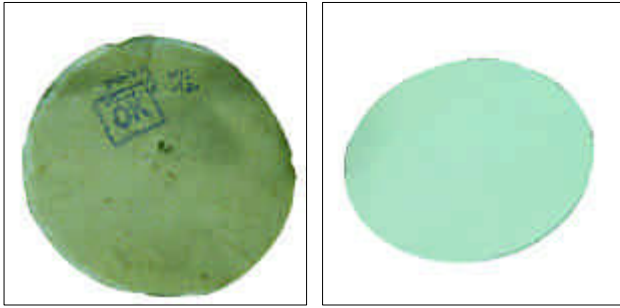
satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The directors are pleased to state that all the necessary steps have been taken to comply with requirements of the Code of Corporate Governance as required by Securities & Exchange Commission of Pakistan (SECP).

Following are the Statements on Corporate and Financial Reporting Frame Work:

- The financial statements prepared by the management of the Company, present fairly its state of affairs, the result of the operations, cash flows and changes in equity.
- Proper books of accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- In preparation of these financial statements International Accounting Standards, as applicable in Pakistan, have been followed.
- The system of internal control is sound in design. The system is being continuously monitored by Internal Audit and through other such monitoring procedures. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring improvements in the system.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.



Filter Paper

This 15 cm Radius Filter Paper used in the Pulp Lab. This is such an important tool that without this small Piece of paper it is impossible to determine the Quality of Pulp produced. No Filter Paper, No Quality Control.

- The summary of key operating and financial data of the Company of last six years is annexed in this report.
- Information about taxes and levies is given in the notes to the accounts.
- The value of investments made by the staff retirement benefit funds based on their respective audited accounts as at June 30, 2006 is as follows:

(Rupees in millions)

Provident Fund	152.38
Gratuity Fund	59.98

- During the year under review five meetings of the Board of Directors were held.

Attendance by each Director was as follows:

	No. of Meetings Attended
Mr. Iqbal Ali Lakhani	5
Mr. Zulfiqar Ali Lakhani	5
Mr. Amin Mohammed Lakhani	2
Mr. M. Rafi Chawla (Expired in February, 2006)	2
Mr. Tasleemuddin Ahmed Batlay	5
Mr. Aziz Ebrahim (Resigned in October, 2005)	2
Mr. Syed Shabahat Hussain - Nominee Director (NIT)	5
Mr Aftab Ahmad (Joined in October, 2005)	2
Mr Zafar Iqbal Sobani (Joined in February, 2006)	2

Leave of absence was granted to Directors who could not attend some of the Board meetings.

Mr. M Rafi Chawla who was the Chief Executive of the Company since its inception for more than two decades, passed away during the year in February, 2006. Late Mr. Chawla has made exemplary contribution towards the growth of the Company and the Group which he joined in 1979, and his death has caused an irreparable loss to the Company. He will be missed by his colleagues in the Group and all the employees of the Company. The Board of Directors would like to place on record his valuable contribution.

Mr. Iqbal Ali Lakhani took over the charge of Chief Executive of the Company in addition to the Chairman of the Board.

The Board of Directors would also like to place on record services of the Mr. Aziz Ebrahim, the outgoing Director and would like to welcome the executives of the Company Mr. Aftab Ahmad and Mr. Zafar Iqbal Sobani as Directors on the Board.

PATTERN OF SHAREHOLDING

A statement of the pattern of shareholding of certain class of shareholders as at June 30, 2006 whose disclosure is required under the reporting framework is included in the report.

During the year the Directors and CEO and their spouses exercised their option to subscribe for the right shares they were entitled for. CFO of the Company purchased 500 shares of the Company during the year and also exercised the option of right issue.

STATEMENT OF BUSINESS ETHICS & PRACTICES

The Board has adopted the statement of Business Ethics and Practices. All employees are informed of this statement and they are required to observe these rules of conduct effectively.

FUTURE OUTLOOK AND CHALLENGES

The paper industry appears to be secure and geared for consistent growth. The positive economic outlook of the overall economy, resulting in increased production and living standard for a large share of the population, ensures that the demand for paper products will continue to increase. An even more positive aspect is the increased demand for value added packaging products which as expected to result in better production margins for your Company.

The Company has heavily invested in last five years amounting to Rs 2.3 Billion. We manifest our confidence in government policy and economic climate, our cumulative reputation and expertise, and the growth prospects of our customers by embarking on yet another major expansion PM-7.

STAKEHOLDERS

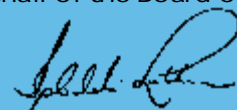
Customers' satisfaction is vital for us to emerge as a stronger Company. We would like to express our thanks to our customers for their support and look forward to seeking their continued patronage.

Our thanks also go to the financial institutions and shareholders for their continued support which is key to the success of the Company.

Our employees have contributed significantly for delivering a strong performance and continue to remain committed. Our long term growth has been possible as a result of their enduring commitment which has ensured a sound base for the Company.

On behalf of the Directors, we are pleased to record our appreciation.

On behalf of the Board of Directors



IQBAL ALI LAKHANI
Chairman

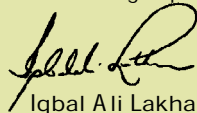
Karachi: July 24, 2006

Balance Sheet


as at June 30, 2006

Note	2006	2005
	(Rupees in thousands)	
ASSETS		
NON CURRENT ASSETS		
	Property plant and equipment	
5	2,408,947	1,661,526
	Operating fixed assets	
6	967,983	449,418
	Capital work in progress	
	3,376,930	2,110,944
	Intangible assets	
7	208	496
	Long-term loans	
8	136	33
	Long-term deposits and other receivables	
9	4,192	1,594
	3,381,466	2,113,067
CURRENT ASSETS		
	Stores and spares	
10	193,198	157,306
	Stock-in-trade	
11	424,940	335,127
	Trade debts	
12	216,038	180,142
	Loans and advances	
13	10,079	9,913
	Trade deposits and short-term prepayments	
14	890	1,038
	Other receivables	
15	4,961	16,469
	Taxation - net	
16	19,567	-
	Short-term investment	
17	165,595	-
	Cash and bank balances	
18	21,775	31,231
	1,057,043	731,226
	4,438,509	2,844,293
TOTAL ASSETS		
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
	Authorized share capital	
	65,000,000 (2005: 65,000,000) ordinary shares of	
	Rs. 10 each	
	650,000	650,000
	Issued, subscribed and paid-up capital	
19	642,576	321,288
	Reserves	
20	2,178,437	1,155,293
	2,821,013	1,476,581
NON-CURRENT LIABILITIES		
	Long-term financing	
21	440,476	533,077
	Deferred taxation	
22	362,345	271,668
	802,821	804,745
CURRENT LIABILITIES		
	Trade and other payables	
23	239,460	174,779
	Financial charges payable	
24	3,419	1,735
	Short-term borrowings	
25	239,195	203,082
	Current portion of long-term financing	
21	332,601	138,632
	Taxation - net	
16	-	44,739
	814,675	562,967
CONTINGENCIES AND COMMITMENTS		
26		
	4,438,509	2,844,293
TOTAL EQUITY AND LIABILITIES		

The annexed notes form an integral part of these financial statements.



Iqbal Ali Lakhani
Chairman & Chief Executive



Tasleemuddin Ahmed Batlay
Director

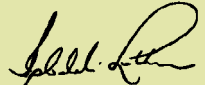
Profit and Loss Account

for the year ended June 30, 2006

	Note	2006 (Rupees in thousands)	2005
Sales	27	3,352,662	3,009,778
Cost of sales	28	(2,894,047)	(2,517,969)
Gross profit		458,615	491,809
General and administrative expenses	29	(79,528)	(71,165)
Selling and distribution expenses	30	(19,898)	(16,005)
Other operating income	31	49,455	22,819
Other operating charges	32	(22,351)	(28,970)
Operating profit		386,293	398,488
Financial charges	33	(78,071)	(22,016)
Profit before taxation		308,222	376,472
Taxation	34	(104,363)	(139,163)
Profit after taxation		203,859	237,309
Earnings per share - basic and diluted (Rupees)	35	4.77	6.08

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

The annexed notes form an integral part of these financial statements.


Iqbal Ali Lakhani
Chairman & Chief Executive

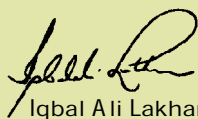

Tasleemuddin Ahmed Batlay
Director

Cash Flow Statement

for the year ended June 30, 2006

Note	2006	2005
	(Rupees in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
38	547,212	525,614
	(98,804)	(20,735)
	(4,013)	(3,257)
	(77,992)	(87,881)
	(103)	79
	302	441
	366,602	414,261
CASH FLOWS FROM INVESTING ACTIVITIES		
	(1,491,359)	(591,115)
	1,850	814
	898	1,715
	(1,488,611)	(588,586)
CASH FLOWS FROM FINANCING ACTIVITIES		
	1,285,153	-
	240,000	350,000
	(138,632)	(154,189)
	(144,486)	(145,056)
	1,242,035	50,755
	120,026	(123,570)
	(171,851)	(48,281)
	(51,825)	(171,851)
CASH AND CASH EQUIVALENTS COMPRISE:		
17	165,595	-
18	21,775	31,231
25	(239,195)	(203,082)
	(51,825)	(171,851)

The annexed notes form an integral part of these financial statements.



Iqbal Ali Lakhani
Chairman & Chief Executive



Tasleemuddin Ahmed Batlay
Director

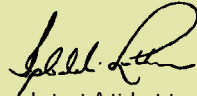
Statement of Changes in Equity

for the year ended June 30, 2006

	Issued, subscribed and paid-up Capital	Capital reserves			Revenue reserves			Sub total	Total
		Share premium	*Merger reserve	Total	General	Unappropriated profit	Total		
(Rupees in thousands)									
Balance as at July 1, 2004 (as reported)	314,213	85,045	15,000	100,045	826,000	142,660	968,660	1,068,705	1,382,918
Effect of change in accounting policy relating to transfer to general reserve made subsequent to year end (note 4.26)	-	-	-	-	(119,000)	119,000	-	-	-
Balance as at July 1, 2004 (restated)	314,213	85,045	15,000	100,045	707,000	261,660	968,660	1,068,705	1,382,918
Final dividend for the year ended June 30, 2004	-	-	-	-	-	(141,396)	(141,396)	(141,396)	(141,396)
Net profit for the year	-	-	-	-	-	237,309	237,309	237,309	237,309
Issue of shares under scheme of amalgamation	7,075	-	(7,075)	(7,075)	-	-	-	(7,075)	-
Transfer from general reserve	-	-	-	-	(2,250)	2,250	-	-	-
Transfer to general reserve	-	-	-	-	212,000	(212,000)	-	-	-
Interim dividend paid by former Century Power Generation Limited to its minority shareholders before merger	-	-	-	-	-	(2,250)	(2,250)	(2,250)	(2,250)
Balance as at June 30, 2005 (as reported)	321,288	85,045	7,925	92,970	916,750	145,573	1,062,323	1,155,293	1,476,581
Effect of change in accounting policy relating to transfer to general reserve made subsequent to year end (note 4.26)	-	-	-	-	(93,000)	93,000	-	-	-
Balance as at July 1, 2005 (restated)	321,288	85,045	7,925	92,970	823,750	238,573	1,062,323	1,155,293	1,476,581
Final dividend for the year ended June 30, 2005	-	-	-	-	-	(144,580)	(144,580)	(144,580)	(144,580)
Issue of 32,128,830 Ordinary shares of Rs.10 each fully paid in cash	321,288	963,865	-	963,865	-	-	-	963,865	1,285,153
Net profit for the year	-	-	-	-	-	203,859	203,859	203,859	203,859
Transfer to general reserve	-	-	-	-	93,000	(93,000)	-	-	-
Balance as at June 30, 2006	642,576	1,048,910	7,925	1,056,835	916,750	204,852	1,121,602	2,178,437	2,821,013

* This represents 1.5 million shares of Rs. 10 each held by minority shareholders of former Century Power Generation Limited as at July 1, 2003 which was reclassified in previous year to give effect of merger by using "pooling of interest method" (also refer note 20.2).

The annexed notes form an integral part of these financial statements.


Iqbal Ali Lakhani
Chairman & Chief Executive


Tasleemuddin Ahmed Batlay
Director