



# Century Paper & Board Mills Limited

First Quarter Report September 2015



Clean Green Sustainable

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## Corporate Information

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### Board of Directors

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

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### Advisor

Sultan Ali Lakhani

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### Audit Committee

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

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### Human Resource and Remuneration Committee

Zulfiqar Ali Lakhani	- Chairman
Tasleemuddin Ahmed Batlay	
Aftab Ahmad	

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### Chief Financial Officer

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

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### Company Secretary

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

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### Head Office and Registered Office

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

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### Lahore Office

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

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### Mills

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

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### External Auditors

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

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### Shares Registrar

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



## Directors' Review

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On behalf of the Board of Directors I am pleased to present the performance review of the Company together with the condensed interim financial information for the quarter ended September 30, 2015.

The adverse impact of the imported paper & board of the last quarter of the financial year 2014-15 continued for the quarter under review also. The shrinkage in the volume and value of the Company's product is mainly due to oversupplies from China. However efforts were made to regain and keep the market share against imported products by sacrificing some margins. Thus the bottom line for quarter under review came under an immense pressure.

### **Sales Review**

Your Company achieved a sale volume of 40,099 metric tons of Paper & Board and Corrugated Boxes as compared to 39,866 metric tons posted for the corresponding quarter of the last year.

Sales value achieved was Rs. 3,056 million for the quarter under review as compared to Rs. 3,490 million of the comparable quarter of the last year; resulting in a decline by Rs. 434 million. The drop in the sales value for the period under review as compared to last year was due to the decrease in the average selling price of our products.

### **Financial Review**

For the quarter under review the Company posted a gross profit of Rs. 211 million as compared to a gross profit of Rs. 406 million for the comparable quarter of the last year. The decline in gross profit from the comparable quarter is mainly because of the drop in sales value, even though offset to some extent by the decrease in inputs cost.

The operating profit for the quarter under review stood at Rs.101 million as compared to Rs. 285 million of the comparable quarter of the last year.

After taking into account financial charges of Rs. 105 million the Company has posted a loss before tax of Rs. 4 million as compared to profit before tax of Rs. 102 million of the comparable quarter of the last year.

The Company's net loss after tax (after taking into account the current and deferred taxation) for the quarter under review stood at Rs. 3 million as compared to profit after tax of Rs. 67 million of the comparable quarter of the last year.

## Directors' Review

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### **Near Term Outlook**

The work on completion of 18MW Coal Based Co-Generation Power Plant is in full swing, however due to delay in shipments from China it is expected that the energy from the 18MW Coal Based Co-Generation Power Plant will be available in January 2016. The gas and electricity availability during the upcoming winters will not be sufficient to meet the Company's requirement; therefore the Company will have to resort to expensive alternate fuels usage at increased cost. However depending upon the market conditions and continuous low price imports particularly from China, the Company will try to recoup some of the increase in energy cost by a possible price revision.

Due to the above reasons your Company is expecting another challenging second quarter. Nonetheless we will continue to exert all its energies to recover from the present situation which has been due to factors beyond its control.

### **Acknowledgments**

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

On behalf of the Board of Directors



**Aftab Ahmad**  
Chief Executive Officer

Karachi: October 22, 2015



# Condensed Interim Balance Sheet

as at September 30, 2015 (Un-audited)

	Note	September 30, 2015 (Rupees in thousands)	June 30, 2015 (Audited)
<b>ASSETS</b>			
<b>NON - CURRENT ASSETS</b>			
Property, plant and equipment	6	7,390,918	7,602,231
Operating fixed assets			
Capital work in progress	7	2,447,164	1,812,177
		<b>9,838,082</b>	9,414,408
Intangible assets		3,328	3,645
Long-term loans and advances		15,848	5,054
Long-term deposits		2,829	2,829
		<b>9,860,087</b>	9,425,936
<b>CURRENT ASSETS</b>			
Stores and spares	8	1,144,991	1,082,473
Stock-in-trade	9	2,130,258	1,982,334
Trade debts (unsecured - considered good)		1,355,161	1,173,624
Loans and advances (unsecured - considered good)		20,694	16,156
Trade deposits and short-term prepayments		56,496	3,679
Other receivables (unsecured - considered good)		1,727	2,815
Tax refunds due from Government		23,026	116,306
Taxation - net		218,537	183,318
Cash and bank balances		130,580	120,987
		<b>5,081,470</b>	4,681,692
<b>TOTAL ASSETS</b>		<b>14,941,557</b>	14,107,628
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital 410,000,000 (June 30, 2015: 410,000,000) shares of Rs. 10 each		4,100,000	4,100,000
Issued, subscribed and paid-up capital 147,018,345 (June 30, 2015: 147,018,345) ordinary shares of Rs. 10 each		1,470,184	1,470,184
90,121,351 (June 30, 2015: 90,121,351) preference shares of Rs. 10 each	10	901,214	901,214
Reserves		2,371,398	2,371,398
		3,144,635	3,147,348
		<b>5,516,033</b>	5,518,746
<b>NON - CURRENT LIABILITIES</b>			
Long-term financing	11	4,288,633	4,149,238
Deferred taxation		546,664	578,499
		<b>4,835,297</b>	4,727,737
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	1,730,336	1,245,364
Interest and mark-up accrued	13	70,518	42,399
Short-term borrowings	14	2,168,162	1,951,943
Current portion of long-term financing	11	621,211	621,439
		<b>4,590,227</b>	3,861,145
<b>CONTINGENCIES AND COMMITMENTS</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>14,941,557</b>	14,107,628

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



**AFTAB AHMAD**  
Chief Executive Officer



**TASLEEMUDDIN AHMED BATLAY**  
Director

## Condensed Interim Profit and Loss Account

*for the quarter ended September 30, 2015 (Un-audited)*

	Note	September 30, 2015 (Rupees in thousands)	September 30, 2014
Sales - net	16	<b>3,056,005</b>	3,489,657
Cost of sales	17	<b>(2,845,041)</b>	(3,083,868)
Gross profit		<b>210,964</b>	405,789
General and administrative expenses		<b>(97,362)</b>	(88,510)
Selling expenses		<b>(11,702)</b>	(10,816)
Distribution expenses		<b>(17,569)</b>	(20,057)
Other operating charges			
Workers' profit participation fund		-	(5,469)
Workers' welfare fund		-	(2,078)
Others		<b>(2,472)</b>	(12,524)
		<b>(2,472)</b>	(20,071)
Other income		<b>19,307</b>	19,156
Operating profit		<b>101,166</b>	285,491
Finance cost		<b>(105,155)</b>	(183,677)
(Loss) / profit before taxation		<b>(3,989)</b>	101,814
Taxation			
Current		<b>(30,560)</b>	(34,897)
Deferred		<b>31,836</b>	-
		<b>1,276</b>	(34,897)
(Loss) / profit for the period		<b>(2,713)</b>	66,917
Basic earnings per share (Rupees)	18	<b>(0.14)</b>	0.28

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



*Aftab Ahmad*  
**AFTAB AHMAD**  
Chief Executive Officer

*Tasleemuddin Ahmed Batlay*  
**TASLEEMUDDIN AHMED BATLAY**  
Director

## Condensed Interim Statement of Comprehensive Income

for the quarter ended September 30, 2015 (Un-audited)

	September 30, 2015	September 30, 2014
	(Rupees in thousands)	
(Loss) / profit for the period	(2,713)	66,917
<b>Other comprehensive income</b>		
Items that will not be reclassified in Profit and Loss account		
Remeasurement of defined benefit liability - net	-	(7,338)
Tax Impact	-	2,201
	-	(5,137)
Total comprehensive (loss) / income for the period	<u>(2,713)</u>	<u>61,780</u>

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

  
**AFTAB AHMAD**  
Chief Executive Officer

  
**TASLEEMUDDIN AHMED BATLAY**  
Director



## Condensed Interim Statement of Cash Flows

*for the quarter ended September 30, 2015 (Un-audited)*

	Note	September 30, 2015 (Rupees in thousands)	September 30, 2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	19	206,249	(333,059)
Finance cost paid		(77,036)	(166,017)
Taxes paid		(65,779)	(92,913)
Tax refunded		93,280	-
Gratuity paid		(8,734)	(5,625)
Long-term loans and advances - net		(10,794)	(16,570)
Net cash generated from / (used in) operating activities		137,186	(614,184)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(482,979)	(298,851)
Proceeds from sale of operating fixed assets		-	1,468
Net cash used in investing activities		(482,979)	(297,383)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term financing from banking companies		300,000	300,000
Repayment of long-term financing from banking companies		(160,833)	(195,606)
Net cash generated from financing activities		139,167	104,394
Net decrease in cash and cash equivalents		(206,626)	(807,173)
Cash and cash equivalents at the beginning of the period		(1,830,956)	(1,536,046)
Cash and cash equivalents at the end of the period		(2,037,582)	(2,343,219)
<b>CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		130,580	86,604
Short-term borrowings		(2,168,162)	(2,429,823)
		(2,037,582)	(2,343,219)

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



**AFTAB AHMAD**  
Chief Executive Officer



**TASLEEMUDDIN AHMED BATLAY**  
Director



**Condensed Interim Statement of Changes in Equity**  
*for the quarter ended September 30, 2015 (Un-audited)*

	issued, subscribed and paid-up capital		Capital				Reserves			Sub-total	Total	
			Ordinary share capital	Preference share capital	Share premium	Merger reserve	Redemption reserve	Total	Revenue			
									General reserve			Unappropriated profit
Balance as at July 1, 2014	1,470,184	901,214	1,822,122	7,925	931,254	2,761,301	313,226	298,765	611,991	3,373,292	5,744,690	
Profit for the period	-	-	-	-	-	-	-	66,917	66,917	66,917	66,917	
Remeasurement of defined benefit liability - net	-	-	-	-	-	-	-	(5,137)	(5,137)	(5,137)	(5,137)	
Total comprehensive income for the period ended September 30, 2014	-	-	-	-	-	-	-	61,780	61,780	61,780	61,780	
<b>Balance as at September 30, 2014</b>	<b>1,470,184</b>	<b>901,214</b>	<b>1,822,122</b>	<b>7,925</b>	<b>931,254</b>	<b>2,761,301</b>	<b>313,226</b>	<b>360,545</b>	<b>673,771</b>	<b>3,435,072</b>	<b>5,806,470</b>	
Balance as at July 1, 2015	1,470,184	901,214	1,822,122	7,925	931,254	2,761,301	313,226	72,821	386,047	3,147,348	5,518,746	
Total comprehensive loss for the period ended September 30, 2015	-	-	-	-	-	-	-	(2,713)	(2,713)	(2,713)	(2,713)	
<b>Balance as at September 30, 2015</b>	<b>1,470,184</b>	<b>901,214</b>	<b>1,822,122</b>	<b>7,925</b>	<b>931,254</b>	<b>2,761,301</b>	<b>313,226</b>	<b>70,108</b>	<b>383,334</b>	<b>3,144,635</b>	<b>5,516,033</b>	

(Rupees in thousands)

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

  
**AFTAB AHMAD**  
Chief Executive Officer

  
**TASLEEMUDDIN AHMED BATLAY**  
Director

# Notes to the Condensed Interim Financial Information

*for the quarter ended September 30, 2015 (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, Lahore and Islamabad 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 are unaudited and are 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 first quarter ended September 30, 2015 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 do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2015 which have been prepared in accordance with approved accounting standards as applicable in Pakistan.

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, 2015, whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial information for the first quarter ended September 30, 2014.

### **2.2 Basis of measurement**

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

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

### **2.3 Functional and presentation currency**

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

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted and methods of computation followed in the preparation of this condensed interim financial information are same as those for the preceding annual financial statements for the year ended June 30, 2015.

Amendments and interpretations to published accounting standards effective for the financial year ending June 30, 2016 are not expected to have material impact on the Company's condensed interim financial information.



## Notes to the Condensed Interim Financial Information

*for the quarter ended September 30, 2015 (Un-audited)*

### 4. TAXATION

The provisions for taxation for the first quarter ended September 30, 2015 has been made using the estimated effective tax rate applicable to expected total annual earnings.

The applicable income tax rate was reduced from 33% to 32% during the period on account of the changes made to Income Tax Ordinance, 2001 through the Finance Act, 2015.

### 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, 2015.

	Note	September 30, 2015	June 30, 2015 (Audited)
(Rupees in thousands)			
<b>6. OPERATING FIXED ASSETS</b>			
Opening net book value (NBV)		<b>7,602,231</b>	8,137,746
Additions (at cost) during the period / year	6.1	<b>14,310</b>	376,844
		<b>7,616,541</b>	8,514,590
Disposals (NBV) during the period / year	6.2	-	(6,494)
Depreciation charge for the period / year		<b>(225,623)</b>	(905,865)
		<b>(225,623)</b>	(912,359)
Closing net book value (NBV)		<b>7,390,918</b>	7,602,231

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

Freehold land	-	1,437
Buildings on freehold land	<b>4,184</b>	34,810
Plant and machinery	<b>3,475</b>	294,883
Furniture and fixtures	<b>91</b>	474
Vehicles	<b>5,162</b>	36,565
Electrical and other equipments	<b>751</b>	3,410
Computers	<b>647</b>	5,265
	<b>14,310</b>	376,844

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

Plant and machinery	-	770
Vehicles	-	5,724
	-	6,494

## Notes to the Condensed Interim Financial Information

*for the quarter ended September 30, 2015 (Un-audited)*

	<b>Note</b>	<b>September 30, 2015</b>	June 30, 2015 (Audited)
<b>7. CAPITAL WORK IN PROGRESS</b>			
This comprises of:			
<b>Projects ( Coal Based Co-Generation Power Plant )</b>			
Civil works		<b>342,381</b>	206,681
Plant and machinery		<b>1,682,752</b>	1,208,808
Advances to suppliers		<b>50,125</b>	49,406
Other directly attributable cost		<b>127,589</b>	108,263
		<b>2,202,847</b>	1,573,158
<b>Others</b>			
Civil works		<b>118,991</b>	120,534
Plant and machinery		<b>124,450</b>	113,962
Advances to suppliers		<b>876</b>	4,523
		<b>244,317</b>	239,019
		<b>2,447,164</b>	1,812,177

7.1 Movement of carrying amount is as follows:

Opening balance		<b>1,812,177</b>	202,525
Additions (at cost) during the period / year		<b>638,446</b>	1,905,617
		<b>2,450,623</b>	2,108,142
Transfer to operating fixed assets during the period / year		<b>(3,459)</b>	(295,965)
Closing balance		<b>2,447,164</b>	1,812,177

### 8. STORES AND SPARES

Stores	8.1	<b>719,339</b>	667,393
Spares			
in hand		<b>405,783</b>	421,187
in transit		<b>45,594</b>	19,618
		<b>451,377</b>	440,805
		<b>1,170,716</b>	1,108,198
Provision for slow moving stores and spares		<b>(25,725)</b>	(25,725)
	8.2	<b>1,144,991</b>	1,082,473

8.1 This includes fuel for power and steam generation amounting to Rs. 64.69 million (June 30, 2015: Rs. 55.82 million).

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



## Notes to the Condensed Interim Financial Information

*for the quarter ended September 30, 2015 (Un-audited)*

	<b>September 30, 2015</b>	June 30, 2015 (Audited)
(Rupees in thousands)		
<b>9. STOCK-IN-TRADE</b>		
Raw materials in hand	1,242,770	1,328,750
in transit	<u>289,719</u>	<u>243,803</u>
	<b>1,532,489</b>	<b>1,572,553</b>
Work-in-process	<b>484,575</b>	298,416
Finished goods	<u>113,194</u>	<u>111,365</u>
	<u><b>2,130,258</b></u>	<u><b>1,982,334</b></u>
<b>10. PREFERENCE SHARES</b>		
Original issue size (fully paid in cash)	<b>3,004,046</b>	3,004,046
Redeemed through cash / right shares	<b>(1,351,821)</b>	(1,351,821)
Converted into Ordinary Shares	<u><b>(751,011)</b></u>	<u>(751,011)</u>
	<u><b>901,214</b></u>	<u><b>901,214</b></u>

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

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

- a) Annual dividends will be payable when and if declared by the Company but shall be paid on cumulative basis prior to any dividend or other distribution payable to the Ordinary Shareholders. The dividend rate will be based on six months KIBOR plus spread of 1% per annum subject to cap of 13% per annum on the face value of the preference shares on cumulative basis. The cumulative dividend as at the balance sheet date amounted to Rs. 617.55 million (June 30, 2015: Rs. 600.26 million).
- 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 right in respect of subscription of further issue of ordinary shares of the Company.
- c) The Company shall have the option to redeem the preference shares in full or in any proportion by giving fourteen days notice. The redemption will be subject to the payment of cumulative unpaid dividend, if any, on the part being redeemed up to the applicable date of redemption notice. The redemption will be subject to compliance with the provisions of Section 85 of the Companies Ordinance, 1984.

## Notes to the Condensed Interim Financial Information

*for the quarter ended September 30, 2015 (Un-audited)*

		<b>September 30, 2015</b>	June 30, 2015 (Audited)
	<b>Note</b>	(Rupees in thousands)	
<b>11. LONG-TERM FINANCING</b>			
From banking companies - secured			
Utilized under mark-up arrangements financed by:			
Consortium of Banks			
- Musharaka	11.1	<b>1,125,000</b>	1,200,000
- Syndicated	11.2	<b>1,100,000</b>	898,000
		<b>2,225,000</b>	2,098,000
Term Loans			
Allied Bank Limited	11.3	<b>1,050,000</b>	1,125,000
Meezan Bank Limited - Musharaka	11.4	<b>550,000</b>	452,000
Faysal Bank Limited - 1	11.5	-	10,833
Faysal Bank Limited - 2	11.6	<b>84,844</b>	84,844
		<b>1,684,844</b>	1,672,677
		<b>3,909,844</b>	3,770,677
From associated undertakings - unsecured	11.7	<b>1,000,000</b>	1,000,000
		<b>4,909,844</b>	4,770,677
Current portion shown under current liabilities		<b>(621,211)</b>	(621,439)
		<b>4,288,633</b>	4,149,238

11.1 This represents Diminishing Musharaka Arrangement with a Consortium of Meezan Bank Limited and Al Baraka Bank (Pakistan) Limited amounting to Rs. 1,500 million. The tenor of the facility is six years including one year grace period. This finance facility is repayable in twenty equal quarterly installments which commenced from 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 7.93% (June 30, 2015: 10.24%) per annum.

11.2 This represents Syndicated term financing arrangement with Consortium of MCB Bank Limited and Allied Bank Limited amounting to Rs. 1,500 million to finance expenditure incurred on project in progress of 18 MW Coal Based Co-Generation Power Plant. The tenor of the facility is seven years with two years grace period. This finance facility is repayable in twenty equal quarterly installments commencing from November 2016.

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

The rate of mark-up is equal to base rate plus 0.75%. Base rate is equal to three months KIBOR of the last one business day prior to the beginning of each installment period. During the period, the effective mark-up rate was 7.83% (June 30, 2015: 9.32%) per annum.



## Notes to the Condensed Interim Financial Information

*for the quarter ended September 30, 2015 (Un-audited)*

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

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

The rate of mark-up is equal to base rate plus 0.9%. Base rate is equal to average of three months KIBOR of the last six business days prior to the beginning of each installment period. During the period, the effective markup rate was 7.81% (June 30, 2015: 10.20%) per annum.

- 11.4 This represents Diminishing Musharaka Arrangement of Rs. 750 million with Meezan Bank Limited to finance expenditure incurred on project in progress of 18 MW Coal Based Co-Generation Power Plant. The tenor of the facility is seven years with two years grace period. This finance facility is repayable in twenty equal quarterly installments commencing from November 2016.

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

The rate of mark-up is equal to base rate plus 0.75%. Base rate is equal to three months KIBOR of the last one business day prior to the beginning of each installment period. During the period, the effective mark-up rate was 7.83% (June 30, 2015: 9.32%) per annum.

- 11.5 This term finance loan fully repaid during the period. The effective mark-up rate was 8.40% (June 30, 2015: 10.77%) per annum.

- 11.6 This term finance facility has been obtained from Faysal Bank Limited under Diminishing Musharaka Arrangement specifically for acquisition of Compact Sheeter. The tenor of the facility is three years including one year grace period. This finance facility is repayable in eight equal quarterly installments commencing from May 2016.

This finance facility is secured by way of exclusive charge on Compact Sheeter with 25% margin.

The rate of mark-up is equal to base rate plus 0.75%. Base rate is equal to three months KIBOR of the last one business days prior to the beginning of each installment period. During the period, the effective mark-up rate was 6.57% (June 30, 2015: 9.28%) per annum.

- 11.7 This loan has been obtained from SIZA Commodities (Private) Limited, an associated undertaking, amounting to Rs. 1,000 million. The loan is repayable after two years from the date of agreement i.e. July 2017.

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 7.91% (June 30, 2015: 10.39%) per annum.



## Notes to the Condensed Interim Financial Information

*for the quarter ended September 30, 2015 (Un-audited)*

	<b>Note</b>	<b>September 30, 2015</b>	June 30, 2015 (Audited)
(Rupees in thousands)			
<b>12. TRADE AND OTHER PAYABLES</b>			
Creditors		<b>500,518</b>	302,422
Foreign bills payable		<b>258,653</b>	196,302
Accrued liabilities	12.1	<b>536,610</b>	403,220
Sales tax payable - net		<b>39,215</b>	37,947
Customers' balances		<b>100,961</b>	60,898
Provident fund payable		<b>6,090</b>	5,490
Gratuity payable		<b>72,794</b>	74,690
Unclaimed dividend		<b>724</b>	724
Retention money payable		<b>174,040</b>	126,605
Other liabilities		<b>40,731</b>	37,066
		<u><b>1,730,336</b></u>	<u>1,245,364</u>

12.1 This include Rs. 305 million (June 30, 2015: Rs. 207.67 million) on account of Gas Infrastructure Development Cess (GIDC) levied under GIDC Act 2015. The Sindh High Court granted stay order against collecting GIDC under the aforesaid Act, pending the final decision on the writ petition filed by the Company. However, the Company has recorded a provision against GIDC as liability for the period from August 2014 to September 2015 in the financial statements.

### 13. INTEREST AND MARK-UP ACCRUED

Interest and mark-up accrued on:

Long-term financing		<b>53,548</b>	28,769
Short-term borrowings		<b>16,970</b>	13,630
		<u><b>70,518</b></u>	<u>42,399</u>

### 14. SHORT-TERM BORROWINGS

From Banking Companies - secured

Running finances	14.1	<b>1,706,369</b>	1,390,563
Import credit finances		<b>461,793</b>	561,380
		<u><b>2,168,162</b></u>	<u>1,951,943</u>

14.1 During the period, the effective mark-up rates for running finances and import credit finance are 7.42% (June 30, 2015: 9.86%) per annum and 3.04% (June 30, 2015: 3.16%) per annum respectively.

### 15. CONTINGENCIES AND COMMITMENTS

#### 15.1 Contingencies

a) Guarantees have been issued by banks on behalf of the Company in the normal course of business aggregating to Rs. 367 million (June 30, 2015: Rs. 367 million).



## Notes to the Condensed Interim Financial Information

*for the quarter ended September 30, 2015 (Un-audited)*

- b) Three cases of inadmissible input Sales Tax amounting to Rs. 82.27 million have been adjudicated against the Company by Deputy Commissioner Inland Revenue. The appeals were filed by the Company against these orders at respective forum. These cases have been remanded back to the adjudicating authorities by the Appellate Authorities with the direction to verify of the compliance of the Company with the relevant provision of the Sales Tax Act, 1990. No provision has been made in these financial statements as the management is of the opinion, based on advice of tax advisor that the decision is likely to be in the favor of the Company.

### 15.2 Commitments

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

- a) Letters of credit other than for capital expenditure amounted to Rs. 570.21 million (June 30, 2015: Rs. 559.39 million).
- b) Capital expenditure including letters of credit amounted to Rs. 108.86 million (June 30, 2015: Rs. 562.69 million).

	<b>Quarter ended</b>	
	<b>September 30, 2015</b>	September 30, 2014
	(Rupees in thousands)	
<b>16. SALES</b>		
Gross sales	<b>3,566,244</b>	4,072,801
Sales tax	<b>(510,239)</b>	(583,144)
	<b>3,056,005</b>	3,489,657
<b>17. COST OF SALES</b>		
Materials consumed	<b>1,928,442</b>	2,069,086
Fuel and power	<b>488,396</b>	665,596
Depreciation on property, plant and equipment	<b>217,334</b>	216,855
Salaries, wages and other benefits	<b>153,980</b>	140,069
Repairs, maintenance and stores consumption	<b>156,230</b>	120,625
Packing expenses	<b>71,386</b>	68,825
Insurance	<b>15,893</b>	15,492
Provision for slow moving stores and spares	-	1,300
Rent, rates and taxes	<b>1,368</b>	1,218
Manufacturing cost	<b>3,033,029</b>	3,299,066
Work-in-process		
Opening stock	<b>298,416</b>	439,789
Closing stock	<b>(484,575)</b>	(630,130)
	<b>(186,159)</b>	(190,341)
Cost of goods manufactured	<b>2,846,870</b>	3,108,725
Finished goods		
Opening stock	<b>111,365</b>	130,876
Closing stock	<b>(113,194)</b>	(155,733)
	<b>(1,829)</b>	(24,857)
	<b>2,845,041</b>	3,083,868

# Notes to the Condensed Interim Financial Information

for the quarter ended September 30, 2015 (Un-audited)

## 18. EARNINGS PER SHARE - BASIC AND DILUTED

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

	<b>Quarter ended</b>	
	<b>September 30, 2015</b>	September 30, 2014
	(Rupees in thousands)	
(Loss) / profit for the period	<b>(2,713)</b>	66,917
Less: Dividend attributable to cumulative preference shares	<b>(17,283)</b>	(25,393)
(Loss) / profit attributable to ordinary shareholders	<b>(19,996)</b>	41,524
Weighted average number of ordinary shares (in thousands)	<b>147,018</b>	147,018
Earnings per share attributable to ordinary shareholders (Rupees)	<b>(0.14)</b>	0.28

There were no dilutive potential ordinary shares outstanding as at September 30, 2015 and 2014.

## 19. CASH GENERATED FROM OPERATIONS

(Loss) / Profit before taxation	<b>(3,989)</b>	101,814
Adjustment for non cash charges and other items:		
Depreciation	<b>225,623</b>	224,253
Amortization of intangible assets	<b>317</b>	442
Gain on sale of property, plant and equipment	-	(910)
Provision for gratuity	<b>6,838</b>	6,369
Provision for slow moving stores and spares	-	1,300
Workers' profit participation fund	-	5,469
Finance cost	<b>105,155</b>	183,677
Working capital changes	<b>(127,695)</b>	(855,473)
	<b>210,238</b>	(434,873)
	<b>206,249</b>	(333,059)

### 19.1 Changes in working capital

(Increase) / decrease in current assets:		
Stores and spares	<b>(62,518)</b>	(266,941)
Stock-in-trade	<b>(147,924)</b>	(325,351)
Trade debts	<b>(181,537)</b>	(234,875)
Loans and advances	<b>(4,538)</b>	(72,903)
Trade deposits and short-term prepayments	<b>(52,817)</b>	(46,366)
Other receivables	<b>1,088</b>	(368)
	<b>(448,246)</b>	(946,804)
Increase in current liabilities:		
Trade and other payables	<b>320,551</b>	91,331
	<b>(127,695)</b>	(855,473)



## Notes to the Condensed Interim Financial Information

for the quarter ended September 30, 2015 (Un-audited)

### 20. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

<u>Relation with the Company</u>	<u>Nature of transaction</u>	Note	Quarter Ended	
			September 30, 2015	September 30, 2014
			(Rupees in thousands)	
Associated companies	Sales of goods and services		411,881	396,529
	Purchase of goods and services		106,776	105,147
	Rent and other allied charges		1,641	1,634
	Insurance agency commission		2,760	3,900
	Mark-up accrued		19,938	27,902
Retirement benefit plans	Contribution to staff retirement benefit plans		17,069	16,240
Key management personnel	Remuneration and other benefits	21.3	75,265	65,688
			September 30, 2015	June 30, 2015 (Audited)
			(Rupees in thousands)	

### 20.2 Period / year end balances

Receivable from related parties	116,535	69,094
Payable to related parties	132,564	81,813
Long-term financing from associated undertaking	1,000,000	1,000,000
Mark-up on long-term financing from associated undertaking	19,938	-

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

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

### 21. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended June 30, 2015.

## Notes to the Condensed Interim Financial Information

*for the quarter ended September 30, 2015 (Un-audited)*

### **22. DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim financial information was authorized for issue on October 22, 2015 by the Board of Directors of the Company.

### **23. CORRESPONDING FIGURES**

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

### **24. GENERAL**

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



**AFTAB AHMAD**  
Chief Executive Officer



**TASLEEMUDDIN AHMED BATLAY**  
Director










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

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