



Century Paper & Board Mills Limited



PATH TO PROGRESS

Strive together for excellence

A n n u a l R e p o r t 2 0 0 8

Path to Progress

Paper has a long history, beginning with the ancient Egyptians and continuing to the present day. For thousands of years, hand-made method dominated using raw bark and parchment and then, during the 19th century, paper production became industrialized. Over a period of time Paper & Paperboard products have become one of the basic needs in developed as well as developing countries.

Paper & Paperboard Industry of Pakistan through an evolutionary process has made remarkable progress and has attained capabilities to meet challenge of sustainable development. Century Paper & Board Mills Limited has been producing world class paper & paperboard products for its customers since 1990 and has made its mark in the industry by increasing its capacities from 30,000 TPY to 240,000 TPY in different phases to best suit the growing quantities and qualitative requirements of the market. Century's wide range of Packaging paperboards are used for primary packaging of cigarettes, pharmaceuticals, confectionery, tea, biscuits and spices etc. while its Paper products are used for a wide range of computer / office stationery, publishing and photocopying etc. Century Corrugated Box business is catering the requirements of quality master cartons for storage and shipment of various consumer and industrial products.



Vision

To be the market leader and an enduring force in the paper, board and packaging industry, positively influencing and providing value to our stakeholders, society and our nation.

Mission

To strive incessantly for excellence and sustain our position as a preferred supplier of quality paper, board and packaging material within a team environment and with a customer focused strategy.

Core Values



- ▶ Integrity
- ▶ Teamwork
- ▶ Excellence
- ▶ Readiness to accept challenges
- ▶ Professional culture
- ▶ Customer focused approach
- ▶ Continuous Improvement

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Corporate Information



Board of Directors

Iqbal Ali Lakhani
(Chairman & Chief Executive)
Zulfiqar Ali Lakhani
Amin Mohammed Lakhani
Tasleemuddin Ahmed Batlay
Aftab Ahmad
A. Aziz H. Ebrahim
(From August 26, 2008)
Zafar Iqbal Sobani
(Up to August 26, 2008)
Syed Shabahat Hussain
Nominee Director (NIT)

Advisor

Sultan Ali Lakhani

Audit Committee

Zulfiqar Ali Lakhani
(Chairman)
Amin Mohammed Lakhani
Tasleemuddin Ahmed Batlay

Executive Committee

Iqbal Ali Lakhani
(Chairman & Chief Executive)

Aftab Ahmad
(Director Operations)

Zafar Iqbal Sobani
(Chief Financial Officer)
(Up to August 26, 2008)

Company Secretary

Mansoor Ahmed

External Auditors

BDO Ebrahim & Co.
Chartered Accountants

Head Office & Registered Office

Lakson Square Building No.2,
Sarwar Shaheed Road,
Karachi-74200, Pakistan.
Phones: (021) 5698000
Fax: (021) 5681163, 5683410

Lahore Office

41-K, Model Town, Lahore,
Pakistan.
Phones: (042) 5886801-4
Fax: (042) 5830338

Mills

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

Email:
Info@centurypaper.com.pk

Website:
www.centurypaper.com.pk

Internal Auditors

M.Yousuf Adil Saleem & Co.
Chartered Accountants

Shares Registrar

FEMCO Associates (Private) Limited
State Life Building No. 2-A,
4th Floor, I.I.Chundrigar Road, Karachi.

Bankers

Allied Bank Limited
Askari Bank Limited
Citibank N. A.
Crescent Commercial Bank Limited
Deutsche Bank AG
Faysal Bank Limited
Habib Bank Limited
HSBC Bank Middle East Limited
JS Bank Limited
KASB Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Oman International Bank S. A. O. G
Royal Bank of Scotland.
Standard Chartered Bank (Pakistan) Limited
Saudi Pak Commercial Bank Limited
United Bank Limited

Our Products



Century is producing & marketing following major categories of Paper and Paperboard:

Packaging Boards

- Coated Boards
- Uncoated Boards
- Container Boards

Writing / Printing Papers

Machine Glazed Papers

Corrugated Boxes

By the grace of Almighty Allah, our products are greatly accepted in quality conscious markets & most of them are substituting imports from Far-East & Europe resulting in saving of valuable foreign exchange reserves.



Year at a Glance



- The Company was recognised as the Best Environmental Reporter in ACCA-WWF Pakistan Environmental Reporting Awards 2007.
- The Company was awarded the Best Corporate Report Award by joint Committee of the ICAP and ICMAP for the year 2007.

Key Figures

	2008 (Rupees in Millions)	2007
Gross Sales	5,036	4,415
Net Sales	4,361	3,844
Profit before taxation	37	124
Taxation	9	41
Profit after taxation	28	83
Shareholders' equity	2,933	2,904
Total assets	13,403	9,637
Capital expenditure	2,593	5,211
Earnings per share (Rupees)	0.40	1.18
Number of employees	1,609	1,239



Environmental and Safety Policy



Environmental Policy

We make our best possible efforts to:

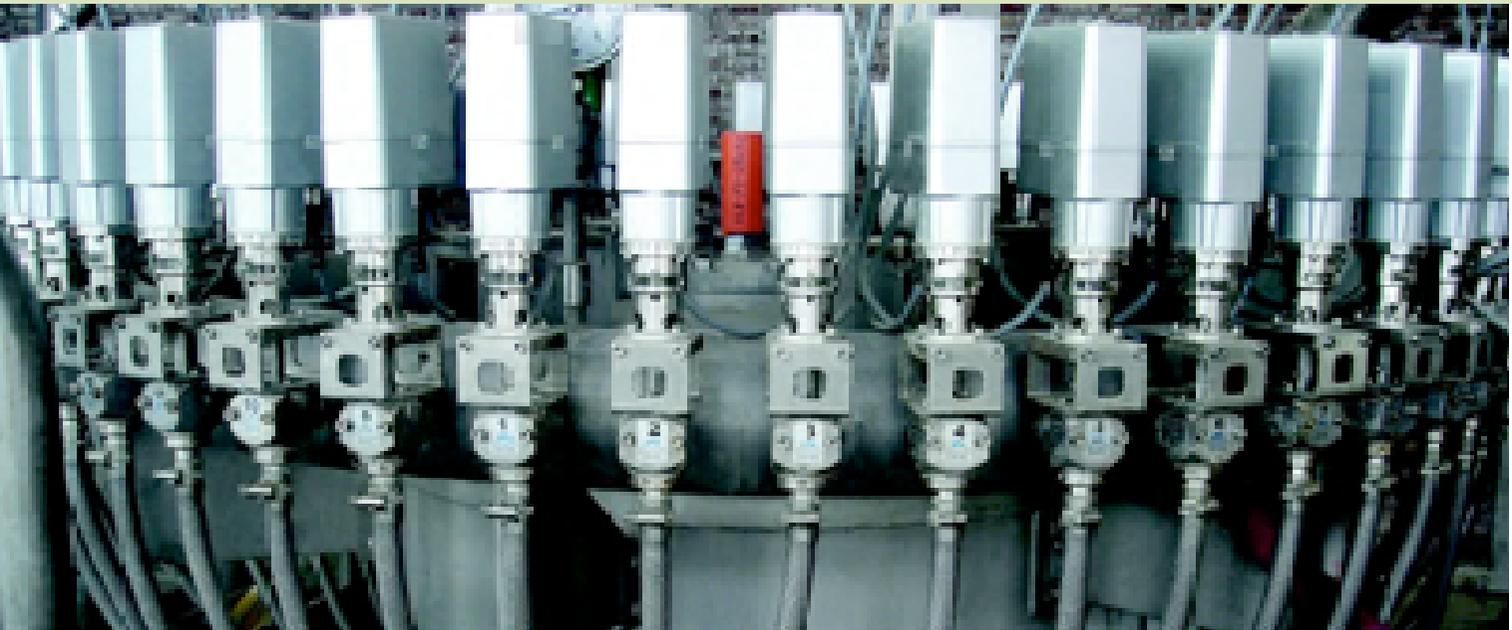
- Ensure environment friendly operations, products and services.
- Mitigate environmental impacts through effective implementation of ISO 14001 in order to achieving conformance to applicable laws and regulations.
- Promote environmental awareness to all employees and the community.
- Establish objectives & targets for continual improvement in resource conservation by waste control and safe operating practices.

Safety Policy

Century Paper & Board Mills Limited is committed to:

- Improve Occupational Health and Safety (OH & S) performance continuously in all areas of operations.
- Implement necessary controls and measures for mitigation of accidents and associated risks by setting objectives and following applicable legal and other requirements.
- Promote OH & S practices through training of employees for healthy and safe work environment.
- Communicate Safety Policy to all stakeholders and review it periodically for ensuring adequacy and compliance with OHSAS 18001 standards.

Quality Policy



- ▶ Century excels in manufacturing of quality Paper, Paperboard and Corrugated Boxes for packaging.
- ▶ Century, a customer focused company, is always ready to accept challenges for achieving its mission.
- ▶ Century's quality objectives are designed for enhancing customer satisfaction and operational efficiencies.
- ▶ Century is committed to building Safe, Healthy and Environment friendly atmosphere.
- ▶ Century, with its professional and dedicated team, ensures continual improvement in quality and productivity through effective implementation of Quality Management System.
- ▶ Century values the social and economic well being of its partners and strives for a harmonious environment conducive to team performance.



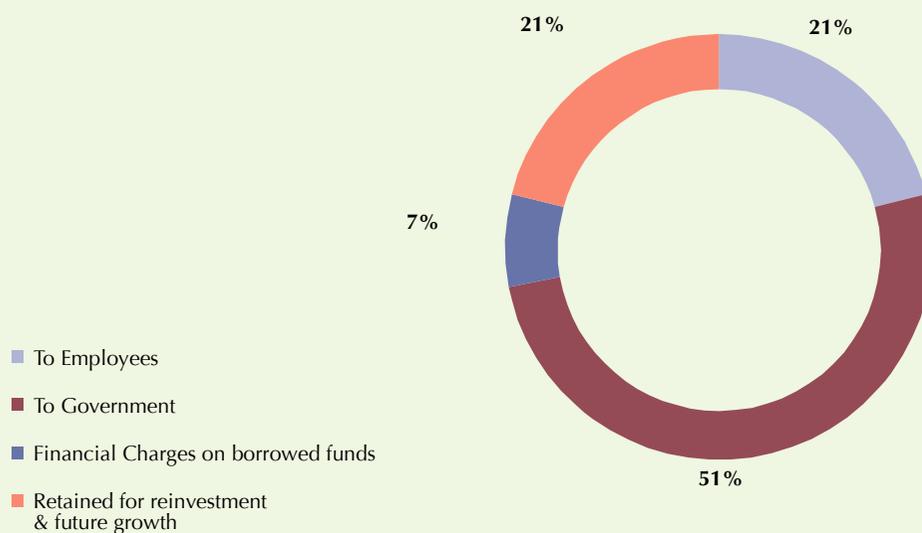
A Glorious Past - A Promising future

- | | |
|------|--|
| 1990 | The Company commenced commercial production with three machines having capacity of 30,000 tons per annum. |
| 1995 | Issued Right shares for expansion in production capacity. |
| 1996 | The Company crossed Rs. 1 Billion Revenue mark.
Started 12.3 MW captive Power Generation Plant as CPGL (a former subsidiary). |
| 1997 | A new three layers board machine (PM-IV) along with an Offline Coating Machine (CM-II) was added. Production capacity reached 50,000 tons. |
| 1998 | The Company was awarded ISO - 9002 - QMS certification. |
| 1999 | Successful re-engineering of machines, increasing capacity up to 60,000 tons. |
| 2000 | The Company crossed Rs. 2 Billion Revenue mark. |
| 2001 | Upgrading of Coating Machine by BMB Switzerland and Voith, UK. |
| 2002 | Dissolved Air Floatation Plant (DAF) installed, the first of its kind in Pakistan for treatment of effluent in Paper and Board Sector. |
| 2003 | Installation of twin layer board machine (PM5) enhancing total capacity to 80,000 tons per annum. Corrugated Boxes Manufacturing Started Production. |
| 2004 | Recognized by KSE as one of the Top 25 Companies for the first time, for the year 2002.
The Company crossed Rs. 3 Billion Revenue mark. |
| 2005 | Power Generators converted to dual fired configuration i.e. oil and natural gas.
Expansion of Pulp Mills for enhancing un-bleached & bleached pulp capacities.
Merger of Century Power Generation Limited with the Company completed.
Launched an additional paper machine (PM-VI). |
| 2006 | Foundation laid for new Coated Duplex Board Plant (PM-VII Project) with capacity of 130,000 tons per annum.
Commencement of PM-VI as well as Online Coating, resulting in increased capacity to 110,000 tons per annum.
The Company achieved ISO 14001:2004 EMS Certification. |
| 2007 | The Company crossed 4 Billion Revenue mark.
Oracle e-business suite (R-12) launched to automate business operations. |
| 2008 | New Coated Board Duplex Plant (PM VII), capable of producing 130,000 Metric Tons per annum of quality packaging board, commenced trial runs.
New captive cogeneration plant with installed capacity of 18 MW commenced its operations increasing total captive power generation capacity to 30 MW.
The Company also went live on financial modules of Oracle e-Business Suite.
The Company was awarded Best Environmental Reporter in ACCA-WWF Pakistan Environmental Reporting Awards 2007 in the Local Listed Company Category. |

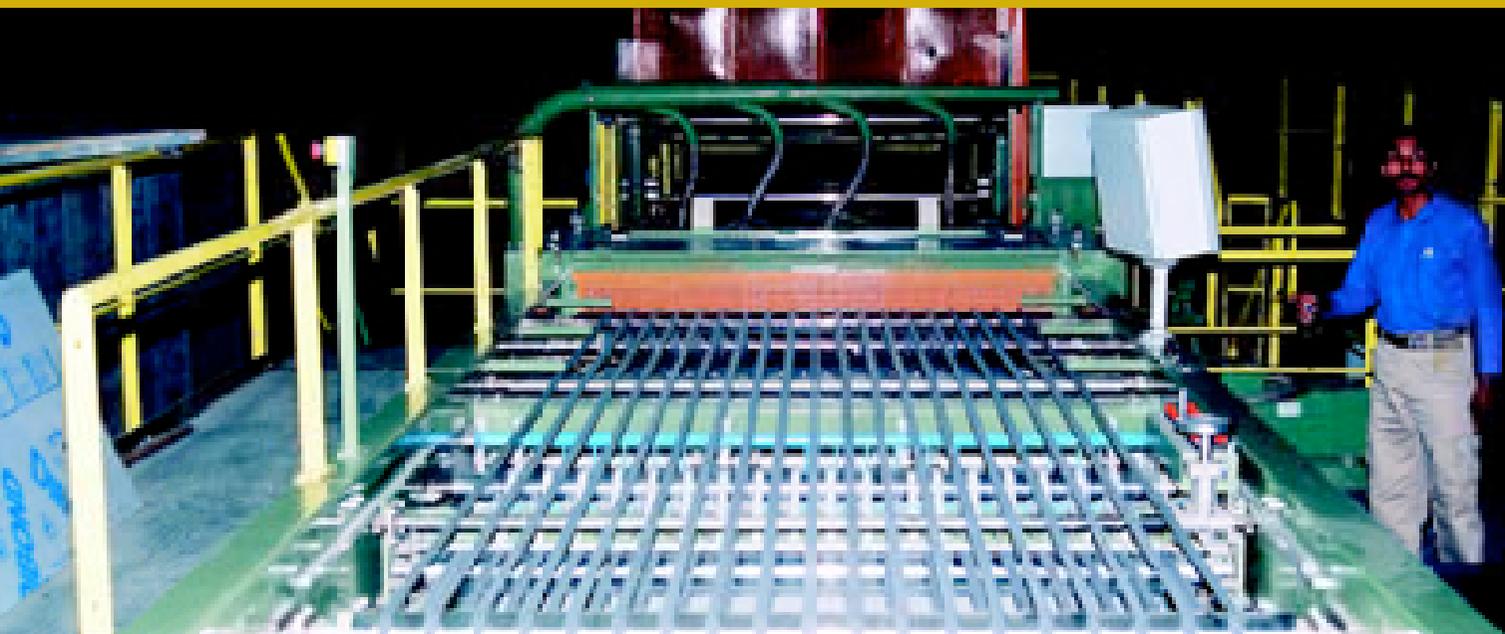
Statement of Value Added

for the year ended June 30, 2008

	2008	%	2007	%
	(Rupees in thousands)			
Wealth Generated				
Total revenue	5,076,384		4,452,529	
Bought-in-material and services	(3,588,461)		(2,916,301)	
	<u>1,487,923</u>	100	<u>1,536,228</u>	100
Wealth Distributed				
To Employees				
Salaries, benefits and related costs	315,576	21	250,043	16
To Government				
Income tax , Sales Tax, Import Duty and Workers' Welfare fund	765,764	51	846,947	55
To providers of Capital				
Bonus shares to the shareholders	-	-	64,258	4
Financial Charges on borrowed funds	99,693	7	89,768	6
Retained for reinvestment & future growth				
Depreciation, amortisation & retained profit	306,890	21	285,212	19
	<u>1,487,923</u>	100	<u>1,536,228</u>	100



Shareholders' Information



Annual General Meeting

The annual shareholders' meeting will be held on September 27, 2008 at 09:15 a.m. at Avari Towers, Fatima Jinnah Road, Karachi. Shareholders of the Company are encouraged to participate.

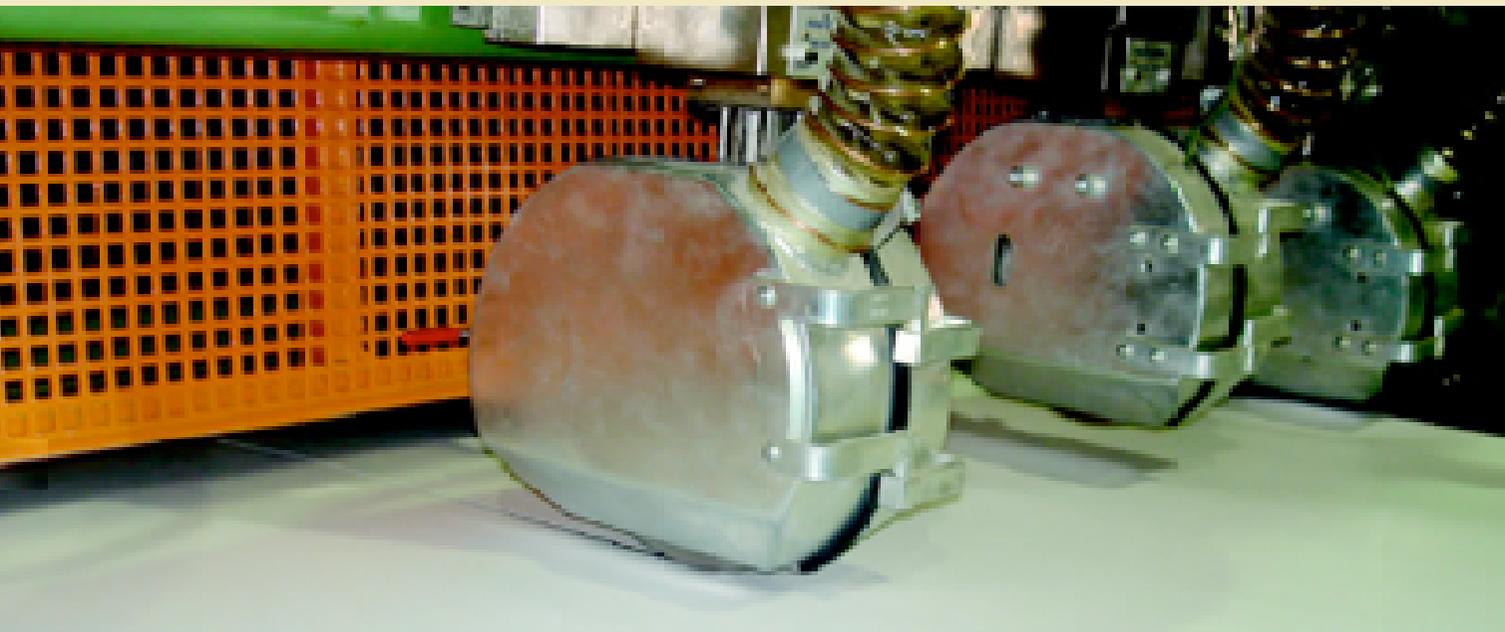
Any shareholder may appoint a proxy to vote on his or her behalf. Proxies should be filed with the Company at least 48 hours before the meeting. CDC shareholders or their proxies are requested to bring with them copies of their Computerized National Identity Card (CNIC) or passport along with the participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.

Ownership

On June 30, 2008 the Company has 1,321 shareholders.

Karachi Stock Exchange
Share price and Volumes 2007-2008

Period	Price in Rupees		Daily Average Volume
	High	Low	
1st Quarter (Jul-Sep 07)	68.05	50.00	23,675
2nd Quarter (Oct-Dec 07)	81.90	54.00	107,943
3rd Quarter (Jan-Mar 08)	76.95	65.50	24,067
4th Quarter (Apr-Jun 08)	77.50	45.13	26,489
Full Year (Jul-Jun 08)	81.90	50.00	45,543



Financial Results

The tentative dates of approval of the financial results for the year 2008-09 in the Board of Directors meetings are as follows:

1st quarter	October 24, 2008
2nd quarter	January 26, 2009
3rd quarter	April 20, 2009
Annual Accounts	July 31, 2009

Web Presence

Annual/Quarterly reports are regularly placed at the Company's website, www.centurypaper.com.pk

Change of Address

All the registered shareholders should send information on changes of address to:

The Shares Registrar of the Company, M/s. FEMCO Associates (Private) Limited, State Life Building No. 2-A, 4th Floor, I. I. Chundrigar Road, Karachi.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 25th Annual General Meeting of Century Paper & Board Mills Limited will be held on Saturday September 27, 2008 at 9:15 a.m. at Avari Towers, Fatima Jinnah Road, Karachi to transact the following businesses:

1. To receive, consider and adopt the audited financial statements for the year ended June 30, 2008 with the Directors' and Auditors' reports thereon.
2. To appoint auditors and fix their remuneration.

By Order of the Board



(MANSOOR AHMED)
Company Secretary

Dated : August 26, 2008

Notes:

1. The share transfer books of the Company will remain closed from September 19, 2008 to September 27, 2008 both days inclusive. Transfers received by the Shares Registrar of the Company, M/s. FAMCO Associates (Private) Limited, State Life Building No. 2-A, 4th Floor, I. I. Chundrigar Road, Karachi upto September 18, 2008 will be considered in time for the purpose of attendance of Annual General Meeting.
2. A member who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant's ID number and CDC account/sub-account number alongwith original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.
3. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote on his/her behalf.
4. Forms of proxy to be valid must be properly filled-in/executed and received at the Company's Registered Office not later than forty-eight hours before the time of the meeting.
5. Members are requested to notify the Shares Registrar of the Company promptly of any change in their addresses.
6. Members who have not yet submitted photocopy of their Computerized National Identity Cards (CNIC) are requested to send the same to our Shares Registrar at the earliest.
7. Form of proxy is enclosed herewith.



Business Ethics and Practices

Our core business is to manufacture paper, paperboard and packaging products to provide local businesses and individuals quality products of international standard. We are very strong believer of the fact that Ethics and Good Practices play a vital role in the advancement and betterment of the Company. To support our belief, we endeavor our best to follow these ethical and good practices.

Corporate Governance

We as a responsible corporate citizen strongly adhere to Corporate Governance principles and comply with regulatory obligations enforced by regulatory agencies for improving corporate performance. We believe in uprightness of performance and expect it to be a fundamental responsibility of our employees to act in the Company's best interest while holding confidential information. We expect our employees to neither solicit internal information from others nor disclose Company's figures, data or any material information to any unauthorized persons/body.

Human Resource Development

We believe in individual respect and growth. Our employment and HR policies develop individuals without race, religion, gender or any other discriminative factors. We provide equal opportunities with a team based management style employing incessant training and development programs for employees. These continuous improvement policies enhance efficiencies and knowledge and create a constructive and affirmative environment.

Transparent Financial Policies

We develop fair and transparent financial policies for conducting business. We ensure transparency and integrity and follow the principles of accounting and finance as approved by regulations and contemporary accounting codes. Any unsupportive or false entry, infringement of accounts for individual or company gain is strongly incoherent with our business codes and ethics.

Marketing and Industry Practices

We believe in free and fair business practices and open competitive markets. Developing any

association within the segment, industry or with competitors to distort the pricing and availability is contradictory to our business code of conduct. Any anti-trust activity such as price fixing, monopolization, forming cartel of suppliers is prohibited. Our marketing policies are customer focused, placing high values in satisfying their requirements with emphasis on quality, service and product development. As a long term marketing strategy we vision to diversify and add value to our products while maintaining close liaisons with markets, customers and their needs.

Business Risk Management

Our Risk Management policies are geared to enhance shareholders worth, improve credit worthiness and minimize credit risk while diversifying income, supplier and customer bases and maintaining relationships with financial institutions.

Social and Community Commitments

We believe in community development without political affiliations with any person or group of persons working for gains. We contribute our resources for better environment with an unprejudiced approach. Our Safety, Health and Environment (SHE) policies are geared towards unbiased employees' betterment. Our positive contribution towards Community Related Services especially in health and education adds to economic development.

Environmental Management System - EMS

We invest in environmental projects with environment friendly policies to improve health and safety standards of employees, communities and surroundings. Our EMS continuously improves in light of advancement in technology and new understandings in Safety, Health and Environmental science. We are driving towards zero waste generation at the source and materials will be reused and recycled to minimize the need for treatment or disposal and to conserve resources and environment. We are working for the conservation of natural resources, energy and biodiversity by continuously improving our processes, practices and products.

Continuous Improvement: Beyond the Numbers



Continuous Improvement is one of our key philosophies and below is a detail of how this is being pursued in every facet of our organization. This is an embodiment of our belief that our Company has to maintain best practices and be socially responsible, and profitability will follow automatically.

Business Structure

Our operations are currently organized into three main locations – Karachi, Lahore and Mills (Multan Road, District Kasur). These locations are strictly administrative and logistic. In addition, there are various peripheral locations whose main purpose is to procure and store raw materials, positioned to take advantage of proximity to the source.

Management's responsibility for financial reporting

The Company has attained success through the character of its people. That character is reflected

in our business practices. High quality financial reporting is one of our responsibilities, which is characterized by accuracy, objectivity and transparency. Management is responsible for maintaining an effective system of internal controls over financial reporting to deliver those characteristics in all material respects. The Board of Directors, through its Audit Committee, provides oversight.

Our commitment to providing timely, accurate and understandable information to investors encompasses:

Maintaining a strong internal control system

Our system of internal controls includes policies and procedures, segregation of duties and the careful selection and development of employees. The system is designed to provide reasonable assurance that transactions are executed as authorized and appropriately recorded, that assets are safeguarded and that accounting records are

Continuous Improvement: Beyond the Numbers

sufficiently reliable to permit the preparation of financial statements that conform in all material respects with accounting principles. Our framework of controls is defined in the form of Accounting, Information Technology and Human Resource manuals, and we monitor these internal controls through control self assessments by departmental heads and on going program of internal audits.

Executing financial stewardship

We maintain specific programs and activities to ensure that employees understand their fiduciary responsibilities to shareholders. This ongoing effort encompasses financial discipline in our strategic and daily business decisions and brings particular focus to maintaining accurate financial reporting and effective controls through process improvement, skill development and oversight.

Exerting rigorous oversight of the business

We continuously review our business results and strategic choices. Our senior management is actively involved in strategies and reviewing key initiatives, financial performance and control assessments. The intent is to ensure that we remain objective in our assessments, constructively challenge the approach to business opportunities, identify potential issues and ensure that reward and recognition systems are appropriately aligned with results.

Information Technology

For growing business requirements, new technology endeavors and in search of excellence, CPBM decided to go for an ERP system and to replace all legacy systems. In the year 2007, CPBM acquired another milestone in IT activities by selecting Oracle E-Business suite, replacing all legacy in-house built software.

Oracle e-Business suite is an integrated application that spans over Financials, Supply Chain, Manufacturing and Plant Maintenance. At present, the financial module is gone Live and we moving towards implementation of other modules.

After complete implementation, Oracle E-business suite will be one of the causes for significant

business growth, better management information systems and removing information delays.

Competitiveness

We operate in comparatively rarified industry. Our corporate history has been characterized by a proactive rather than reactive approach to market innovation and expansion. Our main philosophy is that it is our quality as well as level of service that matters to our customers the most, as ultimately it affects their output as well. Consequently, our main priority is to maintain the quality and timeliness of our input in the face of rapidly fluctuating raw material market conditions.

We aim to compete and give value to our consumers, customers and shareholders in the following ways:

- By continually developing new and improved products; and
- By striving to lower the cost of our sourcing, manufacturing and distribution processes while still maintaining, and improving, the quality of our products.

Human Resource

Our people's creativity, energy and passion drive our business, making them our most important asset. This is most evident during periods of change and under challenging trading conditions.

We believe in providing individual respect and continuous growth to our employees. We acknowledge the value of our employees in terms of their dedication and accumulated expertise. We employ and develop individuals without regard to race, religion, gender or any other discrimination.

We profess team based management in our organization and endeavor to maintain a professional working environment that is also very open, giving all employees access to top management.

We strive to ensure employee satisfaction by freely inviting feedback and carrying out studies and surveys to gauge the effectiveness of various

departments. We encourage open discussion and suggestions for improvements in order to continuously drive the company, and its employees, forward. We have embarked on a comprehensive training program for our employees and ensured that knowledge thus gathered is freely shared.

Shareholder connection

Relations with shareholders and other investors

We believe it is important both to explain the business developments and financial results to investors and to understand their objectives.

The Senior Management has lead responsibility for investor relations. They are supported by a Corporate Department which ensures compliance with corporate legislation. Our quarterly and annual results are generally accessible via the internet.

Communications with shareholders

The Company communicates with its shareholders through the Annual General Meeting as well as responding their questions and enquiries during the course of the year. At the Annual General Meetings, the chairman gives a full account of the progress of the business over the last year and a review of current issues.

Corporate governance and best practices

Board Responsibility: Our Board has ultimate responsibility for the management, general affairs, direction and performance of the business as a whole. The responsibility of the Directors is collective, taking into account their respective roles as Executive Directors and Non Executive Directors.

Our Board meets on regular intervals to consider important corporate events and actions, such as:

- Agreement of quarterly results announcements;
- Approval of Annual Report and Accounts;

- Declaration of dividends;
- Nominations for Board appointments;
- Convening of shareholder's meeting;
- Approval of corporate strategy;
- Review of risks and controls;
- Authorization of major transactions; and

Our Directors have set out a number of areas of responsibility which are reserved to them and other areas for which matters are delegated to the management whose actions are regularly reported to and monitored by the Board.

Corporate image:

Our Company has developed and succeeded in maintaining a benchmark corporate image which reflected in dealing with various stakeholders.

Internal Audit:

The Company has outsourced the internal audit activities to one of the large reputed professional firm of Chartered Accountants. The outsourcing will benefit the Company.

- to adopt best international practices
- to give emphasis on key risk areas and in-depth insight of the key issues
- to get acquainted with more objective observations in different areas and recommendations for improvement.
- availability of variety of expertise and competence at cheaper cost including IT audit.

Board of Directors



Syed Shabhat Hussain
(Nominee Director) (NIT)

Zafar Iqbal Sobani
(Chief Financial Officer)
(Up to August 26, 2008)

**Tasleemuddin Ahmed
Batlay**

Iqbal Ali Lakhani
(Chairman & Chief Executive)

Zulfiqar Ali Lakhani

Aftab Ahmad
Director Operations

Amin Mohammad Lakhani

Continuous Improvement
is one of our key philosophies

Directors' Report



The Board of Directors of Century Paper & Board Mills Limited are pleased to present the Annual Report along with the annual audited financial statements of the Company for the year ended June 30, 2008.

National Economy

During the year, the economy experienced internal and external shocks. Heightened political tension, deteriorating law and order situation, aggravating power shortages, cumulative impact of monetary tightening and rising cost of doing business have not only put the economy to real tests but has also badly effected the industrial growth. All the major economic sectors, including agriculture, manufacturing and investment showed poor performance and the economy grew not only less than the budgeted level but the growth rate was even lower than the last year. Pakistan's economy had grown at an average rate of almost 6.6% per annum during the last five years, but this year the growth has been at 5.8%.

Paper & Paperboard Industry

The paper and paperboard industry in general has been able to maintain its growing trend. Some new capacities have come on stream out of major

expansion projects undertaken by the major players in the industry, including Century.

Paper and Paperboard Industry in the country has a great potential to meet qualitative as well as quantitative indigenous requirement of all grades of paper and paperboard. Over the period, our industry has proved to be supporting the economy by contributing to the national exchequer and creating direct and indirect employment opportunities for several thousand workers in the rural areas of Pakistan. The Industry, in addition to supporting other industries like Chemical and Waste Paper, is also supporting farmers through buying agro based waste.

However, during the year under review, the Industry faced very stiff challenges in view of rising cost of imported as well as local raw materials, fuel price hikes and the unprecedented long spells of power and gas outages which have resulted in loss of production.

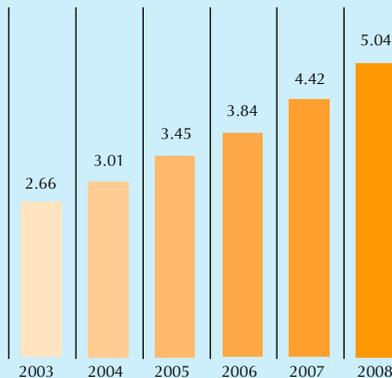
Company Operations

Production

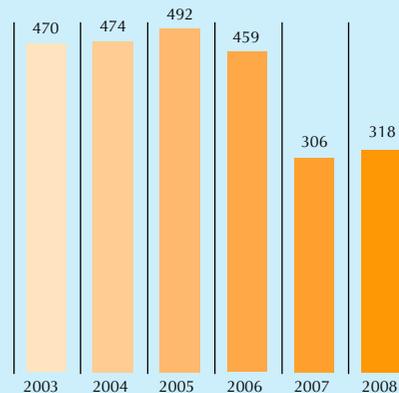
The Company's production during the year on existing operations increased marginally compared

Directors' Report

Gross Sale



Gross Profit



to last year, this could have improved further had the unprecedented shut down not taken place during the year which resulted in almost two months of gas outage during December 2007 to February 2008 and leading to huge production loss of around 4000 Tons.

We commenced trial production in our expansion project (PM7) in the second half of the financial year and are pleased to report that with the grace of Allah we are currently producing the quality product according to the market need.

The production of the box making plant also increased by 38% over last year due to increase in production resources and continuous improvement in acceptability of our product.

Sales and Marketing

By the grace of Almighty Allah, we have been able to maintain our share in the growing paper and paperboard local market and are very confident that with expansion project coming into full production, your Company will further improve its market share in the Industry. This confidence is the result of continued patronage of our customers.

Our box making business volume increased compared to last year due to quality of our product and customer service. We have emerged as one of the important players in this line of business and are further investing with the objective of improving the reliability of customer deliveries in the long term to further improve our market presence.

Financial Review

Gross sales of the Company reached the Rs 5 billion mark for the first time during the year under review. The increase in sales value is 14% over last year the major contribution is from price increases by 12% over last year to cover up the spiraling increase in all around costs.

Gross profit for the year under review amounted to Rs 318 Million which is slightly better than last year but not sufficient to cover the increases in the financial and other costs. Raw material, our main cost component continued to be dearer both imported as well as local. This trend has been consistent for the last two years. The record increases in oil prices and the shortage of some of the commodities are the main factors for these escalations. The negative trend in the value of Pak Rupee versus foreign currencies has further fuelled the upsurge components.



Fuel and power supplies during the year under review was erratic especially during December 2007 to February 2008 which perforce resulted in partial use of alternate fuel for production to meet some of our key customers orders, resulting adversely on the bottom line during these months.

Other inputs also increased considerably pushing up the cost of operations, including manpower costs. These escalations were due to unprecedented inflation and general market trends prevailing in the country.

After a realistic interest rate regime in the country vis a vis regional countries for the last few years, the interest cost started galloping at very fast pace during the current year posting an upward trend by 300 to 400 bases points. This increase has resulted in raising the cost of operations of your Company. In addition to this there was a general increase in the use of Dollar based short term borrowing under FE 25 by the corporate sector due to higher KIBOR base interest rates and a stable Re./Dollar parity. Downturn in the economy contributed by political uncertainty contributed massively in devaluation of Pak Rupee versus international currencies and has resulted in exchange losses during the year.

Profit before tax for the year under review is Rs 37 Million which is lower than last year.

Cash Flow and Capital Investment

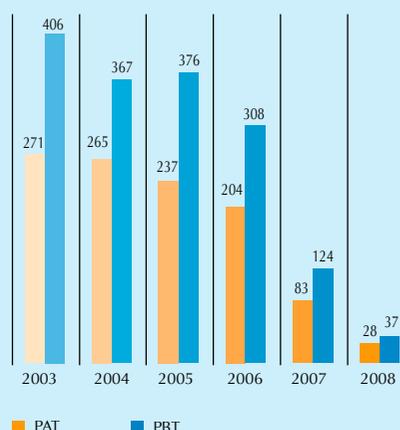
During the year the Company also invested heavily on procuring raw material and necessary stores and spares for post erection activities of our expansion project.

In view of above there has been a negative generation of cash during the year amounting to Rs. 747 million after accounting for the required increase in working capital amounting to Rs. 1,175 million. Taxes outflow for the year amounted to Rs. 27 million (2007 Rs. 54 million).

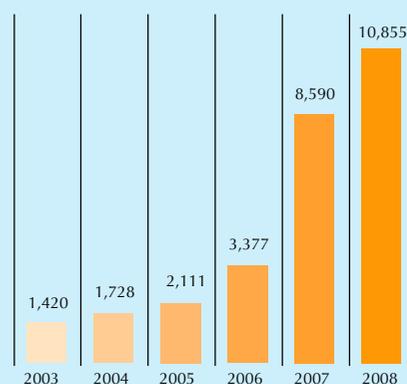
Capital expenditure for the year under review of Rs. 2,592 million (2007:5,211 million) was mainly on the expansion project. We expect that going forward, working capital requirement will be rationalized in view of increase in capacity utilization of our expansion project. However tightening of monetary policy by State Bank of Pakistan and its resultant impact on interest costs will result in new challenges to the Company for which the Company is geared up to counter effectively.

Directors' Report

Profit after tax vs Profit before tax



Property, Plant & equipment



Capital Structure and Finance

Shareholders' fund at the year end stood at Rs 2,932 Million (2007: Rs. 2,904 Million).

Subordinated loan for the expansion project at the year end stood at Rs 1,650 Million.

The long term loan at the year end increased to Rs. 6,180 million (2007: Rs. 5,515 million), mainly on account of draw down for the expansion project. Repayment during the year of long term finances amounted to Rs. 210 million.

During the year the Company re-profiled the long term debt with the combination of Islamic Sukuk Certificates and Syndicated term finance which resulted in reduction of the interest spread by 70 bases points which compared favorably with the project funding approved at the start of the project. This will result in savings in financial costs in the future years.

Appropriation

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

	(Rupees in thousands)
Profit after taxation	28,151
Add: Un-appropriated profit brought forward	84,310
Profit available for appropriation	<u>112,461</u>
Appropriations:	
Transfer to general reserve	<u>84,000</u>
Un-appropriated profit carried forward	<u>28,461</u>
Subsequent Events	
Transfer to general reserve	28,000



PM-7 Expansion Project

The Expansion Project for producing 130,000 tons/year of Quality Packaging Board which was initiated two years back is complete and has started commercial production in the financial year 2008/09.

Daewoo is the main Supplier of the plant, with main equipment coming from Korea and all sophisticated parts coming from Europe. The installation work was done under the supervision of large contingent of foreign experts. During the peak of disturbance and law & order situation we had about 40 foreigners working at our site. Their security and morale boosting was quite an effort. We are thankful to Almighty Allah that we managed the situation well. During the months of December 2007 till February 2008 also affected the startup of our project however the completion is remarkable by any international standard.

This Expansion Project will substitute 80,000 tons of Packaging Board which was being imported, besides providing lively hood to a large number of people directly and indirectly, and will play an important role in the economy of our country.

Investment Projects

The Company in addition to the expansion project carried out a capex on existing plant amounting to Rs. 317 million, to remove operational bottlenecks and consolidate the forward and backward integration to improve and maintain the quality of the product.

Contribution to National Economy

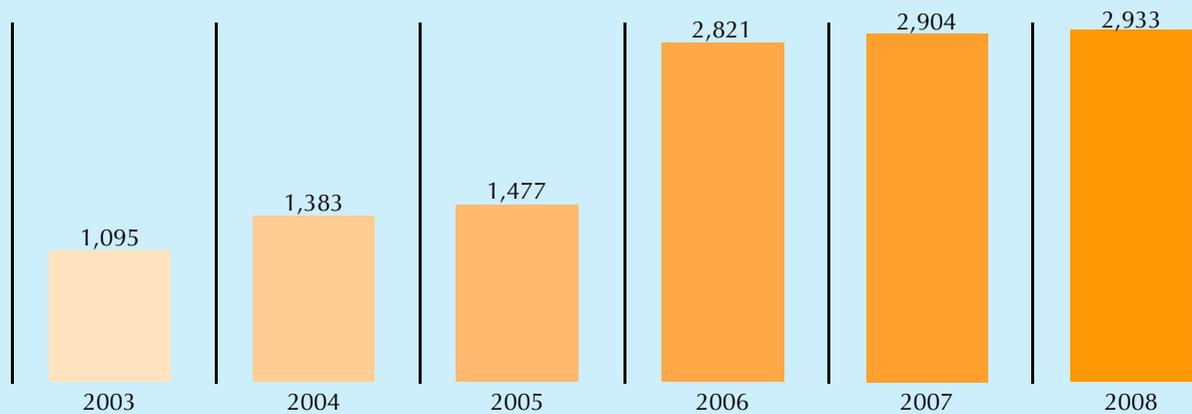
The Company has contributed Rs. 777 million to the National exchequer during the year in the form of duties, income and sales taxes and other levies. In addition to the above the new capacity added will be substituting imports and will help in reducing the net outflow of FX.

Accounting Standards

Our accounting policies fully reflect the requirements of the Companies Ordinance, 1984 and the approved international Accounting Standards and International Financial Reporting Standards as notified under this Ordinance and directives issued by the Securities and Exchange Commission of Pakistan.

Directors' Report

Shareholders Equity



Best Corporate Report Award

Your Company was once again recognized as one of the Best Presented Annual Report Award for the year 2007 by the joint committee of the Institute of Chartered Accountants of Pakistan and Institute of Cost and Management Accountants of Pakistan.

Management Information System

We launched ERP- Oracle Enterprise Business Suite as reported in our last Annual Report to equip the Company to face tough business challenges and its complexities.

Few modules of the software have been completed and are in use on a trial basis, we expect that the project will be completed during the coming financial year.

The completion of the ERP implementation will result in realignment and integration of the organization structure and will help in business process re-engineering. It will eliminate non-value activities and will improve planning, operational and reporting efficiencies.

Safety Health Environment and Quality (SHEQ)

Safety, Health and Environment (SHE):

We are constantly striving together to promote a "Quality, Environment & Safety Conscious Culture" at Century Paper & Board Mills Ltd. The management of Company is taking concrete steps to improve the environmental performance of the mills. In this regard, we curtailed the depletion of natural resources, energy consumption, gaseous emission of boilers & power plant. The new Board Machine (PM 7) is based on paper recycling and is free of chemical pulping which will positively contribute towards the environment.

Environmental Management System (EMS):

We have adopted ISO 14001 standards and implemented the Environmental Management Systems (EMS). We successfully passed the first Surveillance of ISO 14001:2004 in December 2007 by an international certification body AFNOR which is also helping us to manage all of our activities to ensure compliance with our Environmental Policy.

Your Company has been awarded the Best Environmental Reporter in ACCA-WWF Pakistan Environmental Reporting Awards 2007 in Local Listed Company Category. The award's aim is to



recognize and reward those organizations which report and disclose environmental, social or sustainability reporting to raise awareness of reporting corporate social responsibility issues and performance to a broad range of stakeholders, rather than evaluate performance itself.

Quality Management System (QMS):

The Company has been recommended for continual Quality Assurance Certification to ISO 9001:2004 by AFNOR last year. This documented QMS is intended to develop a better understanding of the customers' needs and effectively satisfying them. The system comprises of written procedures that are supported by records that provide an objective evidence of the existence and implementation of QMS. The processes are planned, executed and monitored as per the requirements.

Occupational Health and Safety Assessment Series (OHSAS):

Century management is committed and has implemented the standards 18001:2007 OHSAS

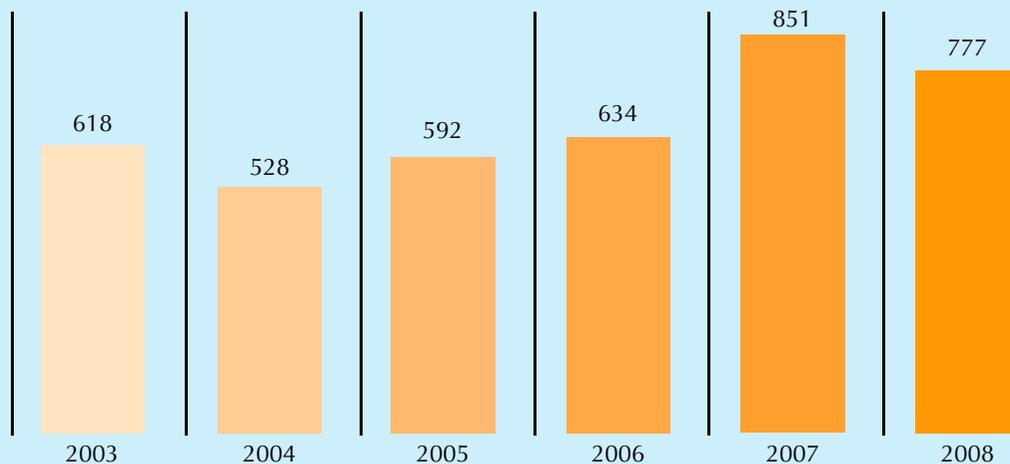
in the organization. We are making objective based efforts to reducing unsafe and unhealthy work practices / conditions. Hazards identification and Risk assessment are being performed, reviewed and all necessary preventive measures are taken to reduce accidents.

Emergency preparedness and response procedures and plan are established to deal with the accidents and emergency situations periodically in order to check the effectiveness of these plans. Assembly zones & emergency exit points are identified and marked in the mills. Responsibilities and authorities in emergency situation are clearly identified in the procedures. A safety and security arrangement layout also displayed in all the areas of operations for guidance and movement in emergency situation.

We have also taken steps to impart comprehensive training to our employees in the area of OH&S and have developed and implemented the "Communication Participation & Consultation Program" in order to create Safety Awareness, regularly.

Directors' Report

Contribution to National Exchequer



Human Resource

Our belief is that it's the People, who are key to an organization's success. People work better together; they know and trust, at the end of the day it's all about how good human resources you have, it makes the heart of the organizations.

We are committed to peaceful working environment for our people that foster innovation and a culture of mutual respect and honor. Our employees are provided with numerous learning and development opportunities to fulfill their potential. Appropriate career paths and internal recognition programmes are developed for both technical and management staff. Scope emanates from on-job training to enhanced skill programs through subject specialists and culminates into Seminars and participation in Training Abroad.

We demonstrate that Company values its employees through several recognition programmes like service awards, Sports achievement awards and recognitions based upon performance and service.

Corporate Social Responsibility

We recognize that our social, environmental and

ethical conduct has an impact on our reputation. We therefore take our corporate social responsibilities (CSR) seriously and are committed to advancing our policies and systems across all areas of our operation; we address and monitor all aspects of CSR that are relevant to our business. These include good ethical behavior, concern for employee's health and safety, care for environment and community involvement.

Auditors

The auditors BDO Ebrahim & Co. retire and offer themselves for re-appointment. The external auditors have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with International Federation of Accountants (IFAC) guidelines on code of ethics, as adopted by ICAP. 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.

Corporate and Financial Reporting Framework

The management of the Company is committed to good Corporate Governance and complying



with the requirements of the best practices of the Code of Corporate Governance as required by Securities & Exchange Commission of Pakistan (SECP). The Board acknowledges its responsibility in respect of the Corporate and Financial Reporting frame work and thus states that:

- The financial statements prepared by the management of the Company, present fairly its state of affairs, the result of the operations, cash flows and equity changes.
- 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.
- International Accounting Standards, as applicable in Pakistan have been followed in preparation of the financial statements and any departure therefrom have been adequately disclosed.
- 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.
- 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 following is the value of investments made by the staff retirement benefit funds based on their respective audited accounts as at June 30, 2008 is as follows:

	(Rupees in millions)
Provident Fund	191.18
Gratuity Fund	66.11

Directors' Report

- The number of employees at the end of year was 1609 (2007: 1239).
- During the year under review four meetings of the Board of Directors were held.

Attendance by each Director was as follows:-

	No. of Meetings Attended
Mr. Iqbal Ali Lakhani	4
Mr. Zulfiqar Ali Lakhani	4
Mr. Amin Mohammad Lakhani	3
Mr. Tasleemuddin Ahmed Batlay	3
Mr. Aftab Ahmad	3
Mr. Zafar Iqbal Sobani	4
Mr. Syed Shabahat Hussain (Nominee Director-NIT)	4

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

Mr. A. Aziz H. Ebrahim has been co-opted as director of the Company w. e. f. August 26, 2008 in place of Mr. Zafar Iqbal Sobani.

Pattern of Shareholding

A statement of the pattern of shareholding of certain class of shareholding as at June 30, 2008 whose disclosure is required under the reporting framework is included in the report.

The Directors, CEO, CFO, Company Secretary and their spouses or minor children did not carry out any trade in the shares of the Company during the year except as below:-

Sale of Shares	No. of Shares
Directors	854,000
Spouse	<u>165,000</u>
	<u><u>1,019,000</u></u>

Future Outlook and Challenges

The Company embarked on the expansion project by more than doubling the capacity taking into consideration the long term growth in the country it envisages in the packaging board and the benefits of the economies of scale. With the grace of God our quality board product from the expansion project is now available for the local

market to substitute imports as well as make available high quality board to meet marketing needs. Currently we are passing through a period of challenging economic scenario such as growth in market, tightening monetary policy and deteriorating Pakistan currency some of these are paradoxical developments and we are closely viewing their impact and aligning to corrective actions wherever possible. We are also actively working on the exports of our quality products to the various regional markets and are confident that our incremental capacities will significantly strengthen your Company in not too distant a future.

Stakeholders

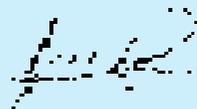
We would like to express our thanks to our customers for their continuing support and we once again reiterate that customers' satisfaction is vital to us for our progress.

We would also like to thank the financial institutions and shareholders for their continued support which is a key to success of the Company.

Our human resource has always played a key role to our continued success. We are extremely thankful for their strong commitment to our long term growth.

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

On behalf of the Board of Directors



IQBAL ALI LAKHANI
Chairman

Karachi: August 26, 2008

Financial Review of Six Years

Rupees In Millions

	2008	2007	2006	2005	2004	2003	
HISTORICAL TRENDS							
Trading results							
Sales - Gross	5,036	4,415	3,844	3,453	3,013	2,659	
Sales - Net	4,361	3,844	3,353	3,010	2,620	2,309	
Gross Profit	318	306	459	492	474	470	
Operating profit	137	214	386	398	390	417	
Profit before tax	37	124	308	376	367	406	
Profit after tax	28	83	204	237	265	271	
Dividend							
Cash dividend	%	-	-	45	45	45	
Stock dividend	%	-	10	-	-	-	
Dividend per share	Rs.	-	-	4.50	4.50	4.50	
Dividend payout ratio	%	-	-	61	53	52	
Financial position							
Total capital employed	11,135	8,811	3,958	2,420	2,103	1,799	
Property, plant and equipment	10,855	8,590	3,377	2,111	1,728	1,420	
Paid-up capital	707	643	643	321	314	314	
Reserves	2,226	2,262	2,178	1,155	1,069	781	
Shareholders' equity	2,933	2,904	2,821	1,477	1,383	1,095	
Subordinated loan	1,650	-	-	-	-	-	
Long-term and deferred liabilities	6,552	5,906	1,137	944	720	704	
Others							
Employees - Nos. (at year end)	1,609	1,239	1,076	953	974	914	
Contribution to exchequer	777	851	634	592	528	618	
Capital expenditure	2,593	5,211	1,489	591	353	479	
KEY INDICATORS							
Operating							
Gross profit	%	7	8	14	16	18	20
Operating profit	%	3	6	12	13	15	18
Profit before tax	%	1	3	9	13	14	18
Profit after tax	%	1	2	6	8	10	12
Performance							
Return on assets (excl. cwip)	%	1	2	6	10	12	14
Total assets turnover (excl. cwip)		0.68 :1	1.15 :1	0.97 :1	1.26 :1	1.20 :1	1.21 :1
Interest coverage ratio		1.37	2.38	4.95	18.10	17.12	14.10
Inventory turnover ratio		4.14:1	8.03 :1	7.62 :1	8.43 :1	8.97 :1	8.90 :1
Collection period	Days	25	21	19	17	14	16
Return on equity	%	1	3	7	16	19	25
Return on capital employed	%	1	2	10	16	19	23
Leverage							
Leverage ratio		1.92 :1	2.32 :1	0.57 :1	0.93 :1	0.71 :1	0.85 :1
Debt:equity ratio		57:43	65:35	22:78	31:69	26:74	39:61
Current ratio		1.01 :1	1.00 :1	1.30 :1	1.30 :1	1.52 :1	1.68 :1
Quick ratio		0.17 :1	0.29 :1	0.50 :1	0.38 :1	0.46 :1	0.41 :1
Valuation							
Earnings per share (pre tax)	Rs.	0.51	1.93	7.22	9.64	9.40	10.39
Earnings per share (after tax)	Rs.	0.40	1.30	4.77	6.08	6.78	6.93
Breakup value per share	Rs.	41.49	45.20	43.90	45.96	43.04	34.08
Market value per share	Rs.	49.60	62.55	47.80	82.95	94.00	62.70
Price earning ratio		124	48.12	10.02	13.64	13.86	9.05

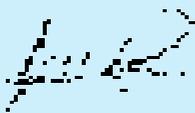
Statement of Compliance With the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the code in the following manner:

- 1) At present the Board comprises seven directors, including the CEO. The Company encourages representation of independent non-executive directors on its Board including those representing minority interests. At present the Board includes four non-executive directors, including one director representing the National Investment Trust Limited (NIT).
- 2) The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
- 3) All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
- 4) No casual vacancy occurred in the Board during the current year.
- 5) The Company has adopted and circulated a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
- 6) The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 7) All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors have been taken by the Board.
- 8) All the meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated in time.
- 9) The Board arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities and briefed them regarding amendments in the Companies Ordinance/Corporate laws.
- 10) The Chief Financial Officer was appointed prior to the implementation of the Code of Corporate Governance. The Board has approved appointment of Company Secretary including his remuneration and terms and condition of employment, as determined by the CEO.
- 11) The directors' report for this year has been prepared in compliance with the requirements

- of the code and fully describes the salient matters required to be disclosed.
- 12) The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
 - 13) The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
 - 14) The Company has complied with all the corporate and financial reporting requirements of the Code.
 - 15) The Board has formed an audit committee. It comprises of three members, all of whom are non-executive directors including the Chairman of the committee.
 - 16) The meetings of the audit committee were held once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
 - 17) The Board has outsourced the internal audit function to M. Yousuf Adil Saleem & Co., Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.
 - 18) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programmed of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
 - 19) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
 - 20) We confirm that all other material principles contained in the Code have been complied with.



IQBAL ALI LAKHANI
Chairman and Chief Executive



BDO Ebrahim & Co.
Chartered Accountants



REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **CENTURY PAPER AND BOARD MILLS LIMITED** to comply with the Listing Regulation No.37 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited and No. 43 (Chapter XIII) of the Lahore Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2008.

KARACHI
DATED: August 26, 2008



BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

PM-VII

Coated Duplex Board Machine

First of its kind in Pakistan





A Giant Step

Back in 2005, your Company had taken a major decision of going into a mega expansion project. The project was aimed at increasing our production capacity from the 110,000 Tons to 240,000 Tons per annum, an increase of 130,000 Tons.

The Agreement with Daewoo International was signed in December 2005 for purchase and installation of the above plant. The formal ground breaking ceremony was performed in May 2006 and the completion target was set at first quarter of 2008. The project has been completed with the untiring efforts of the team of Korean and Pakistani Engineers & Technologists.

Installation of PM-VII has placed company among the major player of Coated Duplex Board in Asia. Features and technology of this machine is comparable with any best quality Coated Duplex Board machine operating in the region. It is a multi layer board machine equipped with Shoe Press to improve the formation of the board. The On-line Coating Section has four Coating Heads for three layer top coating and one layer back side coating followed by two calendars, one is Hard Nip and the other one is Soft Nip calendar.

Completion of this project has not only doubled the existing capacity of the Company but has enriched the capabilities of the Company to produce packaging boards of international standards. The out put of this plant will not only save out flow of the precious foreign exchange by substituting imports from Far East and Europe but will also enable Company to enter into export market to improve inflow of Foreign Exchange to the national economy through export of its products. This project has provided around 325 additional regular employment opportunities.

In order to ensure uninterrupted power supply to this machine this mega project includes a 20 MW dual fuel gas turbine power generation plant.



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AUDITORS' REPORT TO THE MEMBERS

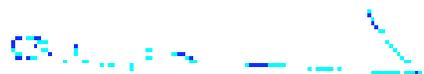
We have audited the annexed balance sheet of **CENTURY PAPER & BOARD MILLS LIMITED** as at June 30, 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2008 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

KARACHI
DATED: August 26, 2008



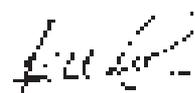
BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

Balance Sheet

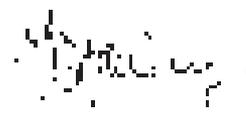
as at June 30, 2008

	Note	2 0 0 8 (Rupees in thousands)	2 0 0 7
ASSETS			
NON CURRENT ASSETS			
Property plant and equipment			
Operating fixed assets	5	3,849,316	2,293,373
Capital work in progress	6	7,006,182	6,296,510
		10,855,498	8,589,883
Intangible assets	7	25,649	6,490
Long-term loans and advances	8	5,554	454
Long-term deposits and other receivables	9	2,820	3,757
		10,889,521	8,600,584
CURRENT ASSETS			
Stores and spares	10	362,055	230,591
Stock-in-trade	11	1,496,478	455,862
Trade debts	12	413,171	280,801
Loans and advances	13	18,730	5,808
Trade deposits and short-term prepayments	14	19,335	4,830
Other receivables	15	33,755	1,752
Tax refunds due from Government	16	150,375	8,623
Taxation - net	17	2,643	26,641
Cash and bank balances	18	16,474	21,806
		2,513,016	1,036,714
TOTAL ASSETS		13,402,537	9,637,298
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
100,000,000 (2007: 65,000,000) ordinary shares of Rs. 10 each		1,000,000	650,000
Issued, subscribed and paid-up capital	19	706,834	642,576
Reserves	20	2,225,788	2,261,895
		2,932,622	2,904,471
NON-CURRENT LIABILITIES			
Subordinated loan	21	1,650,000	1,575,000
Long-term financing	22	5,971,428	3,730,952
Deferred taxation	23	352,214	364,831
Retention money payable	24	18,913	26,010
		7,992,555	5,696,793
CURRENT LIABILITIES			
Trade and other payables	25	577,928	268,629
Financial charges payable	26	196,508	118,913
Short-term borrowings	27	1,434,021	298,924
Retention money payable	24	59,379	140,044
Current portion of long-term financing	22	209,524	209,524
		2,477,360	1,036,034
CONTINGENCIES AND COMMITMENTS	28		
TOTAL EQUITY AND LIABILITIES		13,402,537	9,637,298

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



Iqbal Ali Lakhani
Chairman & Chief Executive



Tasleemuddin Ahmed Batlay
Director

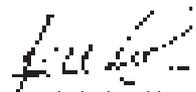
Profit and Loss Account

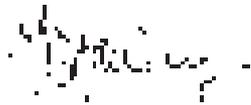
for the year ended June 30, 2008

	Note	2 0 0 8 (Rupees in thousands)	2 0 0 7
Sales - net	29	4,361,016	3,843,757
Cost of sales	30	(4,042,650)	(3,538,173)
Gross profit		318,366	305,584
General and administrative expenses	31	(120,697)	(86,589)
Selling and distribution expenses	32	(40,756)	(27,640)
Other operating charges	33	(60,290)	(14,467)
Other operating income	34	40,123	37,062
Operating profit		136,746	213,950
Financial charges	35	(99,693)	(89,768)
Profit before taxation		37,053	124,182
Taxation	36	(8,902)	(40,724)
Profit after taxation		28,151	83,458
Earnings per share - basic and diluted (Rupees)	37	0.40	1.18

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

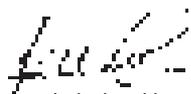

Tasleemuddin Ahmed Batlay
Director

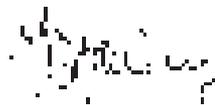
Cash Flow Statement

for the year ended June 30, 2008

	Note	2 0 0 8 (Rupees in thousands)	2 0 0 7
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	40	(746,826)	385,660
Financial charges paid		(81,610)	(86,890)
Taxes paid		(26,879)	(53,934)
Gratuity paid		(4,383)	(197)
Long-term loans and advances - net		(5,100)	(318)
Long-term deposits - net		149	(1,677)
Net cash (used in) / generated from operating activities		(864,649)	242,644
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(2,592,716)	(5,211,425)
Profit received on investment and bank deposit accounts		27	830
Proceeds from sale of operating fixed assets		1,433	259
Net cash used in investing activities		(2,591,256)	(5,210,336)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term financing from banking companies		5,500,000	5,075,000
Repayment of long-term financing from banking companies		(3,559,524)	(332,601)
Proceeds from long-term sponsor's loan		450,000	-
Proceeds from long-term sponsor's subordinated loan		75,000	-
Repayment of Director loan		(150,000)	-
Net cash generated from financing activities		2,315,476	4,742,399
Net decrease in cash and cash equivalents		(1,140,429)	(225,293)
Cash and cash equivalents at the beginning of the year		(277,118)	(51,825)
Cash and cash equivalents at the end of the year		(1,417,547)	(277,118)
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances	18	16,474	21,806
Short-term borrowings	27	(1,434,021)	(298,924)
		(1,417,547)	(277,118)

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


Iqbal Ali Lakhani
Chairman & Chief Executive

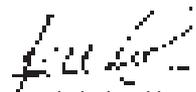

Tasleemuddin Ahmed Batlay
Director

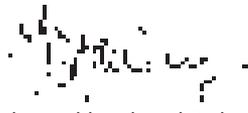
Statement of Changes in Equity

for the year ended June 30, 2008

	Issued, subscribed and paid-up Capital	Capital reserves			Revenue reserves			Sub Total	Total	
		Share premium	Reserve for issue of bonus shares	Merger reserve	General reserve	Unappropriated profit	Total			
					Total (Rupees in thousands)					
Balance as at July 1, 2006	642,576	1,048,910	-	7,925	1,056,835	916,750	204,852	1,121,602	2,178,437	2,821,013
Transfer to general reserve	-	-	-	-	-	204,000	(204,000)	-	-	-
Net profit for the year	-	-	-	-	-	-	83,458	83,458	83,458	83,458
Balance as at June 30, 2007	642,576	1,048,910	-	7,925	1,056,835	1,120,750	84,310	1,205,060	2,261,895	2,904,471
Transfer to general reserve	-	-	-	-	-	84,000	(84,000)	-	-	-
Transfer to reserve for issuance of bonus shares	-	(64,258)	64,258	-	-	-	-	-	-	-
6,425,766 ordinary shares of Rs. 10/- each issued as fully paid bonus shares	64,258	-	(64,258)	-	(64,258)	-	-	-	(64,258)	-
Net profit for the year	-	-	-	-	-	-	28,151	28,151	28,151	28,151
Balance as at June 30, 2008	706,834	984,652	-	7,925	992,577	1,204,750	28,461	1,233,211	2,225,788	2,932,622

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


Iqbal Ali Lakhani
Chairman & Chief Executive


Tasleemuddin Ahmed Batlay
Director

Notes to the Financial Statements

for the year ended June 30, 2008

1 STATUS AND NATURE OF BUSINESS

1.1 Century Paper & Board Mills Limited ("the Company") was incorporated in Pakistan as a public limited company on August 2, 1984 under the Companies Ordinance, 1984 and its 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 principal activity of the Company is the manufacture, sale and marketing of paper, board and related products.

1.2 The trial runs on the expansion project-Coated Duplex Board Machine commenced in second half of the year as per project plan with active support from foreign vendor for streamlining the plant operations for achieving the desired project objectives.

The start up of commercial production on the plant is expected in the first quarter of financial year 2009. The plant has a capacity of producing 130,000 Metric Tons per annum of quality packaging board.

The Company's new captive cogeneration plant with installed capacity of 18 MW commenced its operations during the year increasing its total captive power generation capacity to 30 MW.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for the measurement of derivative financial instruments at fair value and recognition of certain staff retirement benefits at present value.

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

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE:

Amendments to the following Standards and interpretations have been published that are mandatory to the financial statements of the Company covering accounting periods beginning on or after the following effective dates:

Notes to the Financial Statements

for the year ended June 30, 2008

IAS 1 Presentation of financial statements, issued in September 2007 (effective from January 1, 2009) revises the existing IAS 1 and requires apart from changing the names of certain financial statements, presentation of transactions with owners in statement of changes in equity and with non-owners in the comprehensive income statement.

Certain amendments to IAS 23 'Borrowing costs' have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after January 01, 2009. Adoption of these amendments would require the Company to capitalize the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing these borrowing costs will be removed.

The amendments, that are not yet effective and which have no significant impact on the financial statements of the Company are listed below:

IAS 27 Consolidated and Separate Financial Statement	Effective from January 01, 2009
IFRS 3 Business Combinations	Effective from January 01, 2009
IFRS 7 Financial Instruments Disclosures	Effective from April 28, 2008
IFRS 8 Operating Segments	Effective from January 01, 2009
IFRIC12 Service Concession Arrangements	Effective from January 01, 2008
IFRIC13 Customer Loyalty Programs	Effective from July 01, 2008
IFRIC14 The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interactions	Effective from January 01, 2008

Adoption of the above amendments may only impact the extent of disclosures presented in the future financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Property plant and equipment

a) Operating fixed assets

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except freehold land which is stated at cost.

Depreciation on operating fixed assets is provided on a straight line basis. Full month's depreciation is charged on addition, while no depreciation is charged in the month of disposal or deletion of assets. Rates of depreciation, which are disclosed in note 5, are determined to allocate the cost of an asset less estimated residual value, if not insignificant, over its useful life.

The assets' residual values and useful lives are reviewed, and adjusted if significant, at each balance sheet date.

Disposal of assets is recognized when significant risks and reward incidental to the ownership have been transferred to buyers. Gain and losses on disposal of assets are included in income currently.

Notes to the Financial Statements

for the year ended June 30, 2008

Normal repairs and maintenance costs are charged to the profit and loss account as and when incurred. Major renewals and improvements are capitalized and assets so replaced, if any, are retired.

b) Capital work-in-progress

Capital work-in-progress are stated at cost and consist of expenditure incurred, advances made and other directly attributable costs in respect of operating fixed assets in the course of their construction and installation. Transfers are made to relevant operating fixed assets category as and when assets are available for use.

4.2 Intangible

These are stated at cost less accumulated amortization and impairment losses, if any. Major computer software licences are capitalized on the basis of cost incurred to acquire and bring to use the specific software. Amortization is provided on a straight line basis at the rates disclosed in note 7 to the financial statements.

4.3 Impairment

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the assets recoverable amount is estimated in order to determine the extent of impairment loss, if any.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that is largely independent from other assets and group.

The recoverable amount is the higher of an assets fair value less costs to sell and value in use.

4.4 Stores and spares

Stores and spares are stated at cost less provision for slow moving and obsolete items. Cost is determined by using the moving average method. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are classified as operating fixed assets under "Plant and machinery" category and are depreciated over a time period not exceeding the useful life of the related assets.

4.5 Stock-in-trade

Stock-in-trade, except for stock-in-transit, are valued at the lower of cost and net realizable value. Cost in relation to raw material is determined by using the moving average method except for stock in transit.

Stock-in-transit is valued at cost comprising invoice value plus other charges incurred thereon.

Work-in-process and finished goods consist of the direct materials costs, labour costs and an appropriate proportion of manufacturing overheads.

Notes to the Financial Statements

for the year ended June 30, 2008

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make the sale.

4.6 Trade debts

Trade debts are recognized and carried at original invoiced amount which is fair value of the consideration to be received in future. An estimated provision for doubtful debt is made when collection of the full amount is no longer probable. Debts considered irrecoverable are written-off.

4.7 Other receivables

Other receivables are recognized at nominal amount which is fair value of the consideration to be received in future.

4.8 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

a) Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

b) Deferred

Deferred tax is accounted for using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available in future years against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated based on tax rates that have been enacted or substantively enacted upto the balance sheet date and are expected to apply to the periods when the differences reverse. Deferred tax for the year is charged or credited to the profit and loss account.

4.9 Cash and bank balances

Cash in hand and at banks are carried at nominal amount.

4.10 Borrowings

Loans and borrowings are recorded at the proceeds received. Financial charges are accounted for on accrual basis.

Borrowing cost on long term finances and short term borrowings which are specifically obtained for the acquisition of qualifying assets are capitalized up to the date of commencement of commercial production on the respective asset. All other borrowing costs are charged to profit and loss account in the period in which these are incurred.

Notes to the Financial Statements

for the year ended June 30, 2008

4.11 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

4.12 Provisions

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting future cash flows at appropriate discount rate where ever required. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimates.

4.13 Operating leases

Lease payments under operating leases are recognized as an expense in the profit and loss account on a straight line basis over the respective lease terms.

4.14 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is included in profit and loss account.

4.15 Offsetting

Financial asset and financial liability are offset and the net amount is reported in the financial statements only when the Company has a legally enforceable right to set-off the recognized amounts and the Company intends to settle either on a net basis or realize the asset and settle the liability simultaneously.

4.16 Derivative financial instruments

The Company enters into derivative financial instruments. The derivatives that do not qualify for hedge accounting are recognized in the balance sheet at fair value with corresponding effect to profit and loss account.

4.17 Foreign currency translation

Transactions in foreign currencies are converted into Pak rupees at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are included in the profit and loss account.

Notes to the Financial Statements

for the year ended June 30, 2008

4.18 Staff retirement benefits

a) Defined benefit plan

The Company operates an approved defined gratuity fund for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions to the fund are made based on actuarial recommendations and in line with the provisions of the Income Tax Ordinance, 2001. The most recent actuarial valuation is carried out at June 30, 2008 using the projected unit credit method (refer note 39). Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of previous reporting period exceed 10% of the higher of present value of defined benefit obligation and the fair value of plan assets at that date. The gains or losses in excess of amount determined as per above said criteria are recognized over the expected average remaining working lives of the employees participating in the plan.

b) Defined contribution plan

The Company also operates an approved contributory provident fund for all its permanent employees to which equal monthly contributions are made, both by the Company and the employees, at the rate of 10% of the basic salary.

4.19 Compensated absences

The Company accounts for compensated absences on the basis of unavailed leave balance of each employee at the balance sheet date.

4.20 Revenue recognition

Revenue comprises of the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the Company's activities. Revenue from sale of goods is shown net of sales tax.

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Company and the amount of revenue can be measured reliably. The revenue arising from different activities of the Company is recognized on the following basis:

Sales are recorded on dispatch of goods to customers.

Scrap sales are recognized when delivery is made to customers.

Profit on bank deposits and commission on insurance premium is recognized on accrual basis.

4.21 Cash and cash equivalents

Cash and cash equivalents comprise of cash and cheques in hand and balances with banks. Short-term borrowing facilities which are payable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of statement of cash flows.

4.22 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

Notes to the Financial Statements

for the year ended June 30, 2008

4.23 Related party transactions

Transactions with related parties is based at arm's length at normal commercial rates on the same terms and conditions as third party transactions.

4.24 Significant accounting judgements and critical accounting estimates / assumptions

The preparation of financial statements in conformity with approved accounting standards requires the management to:-

- exercise its judgment in process of applying the Company's accounting policies, and
- use of certain critical accounting estimates and assumptions concerning the future.

The management has exercised judgment in applying Company's accounting policies for classification of Post Employment Benefits as Defined Benefits Plan and Defined Contribution Plan (refer note 4.18 and note 39) that have the most significant effects on the amount recognized in the financial statements.

The areas involving critical accounting estimates and significant assumptions concerning the future are discussed below:-

a) Income taxes

The Company takes into account relevant provisions of the prevailing income tax laws while providing for current and deferred taxes as explained in note 4.8 of these financial statements.

b) Defined Benefits Plan

Certain actuarial assumptions have been adopted as disclosed in note 39 of these financial statements for valuation of present value of defined benefit obligation and fair value of plan assets. Any changes in these assumptions in future years might affect actuarial gains / losses recognized in those years with corresponding effect on carrying amount of defined benefit plan liability / asset.

c) Derivative instrument stated at fair value through profit and loss

Management has determined fair value of interest rate swap on the basis of valuation information obtained from the bankers. These estimates are subjective in nature and involve some uncertainties and matters of judgment with respect to interest rate spreads, benchmark yield, etc. Any changes in these assumptions in future years may affect the fair value of the derivative instrument.

d) Property, plant and equipment

Management has made estimates of residual values, useful lives and recoverable amounts of certain items of property, plant and equipment. Any change in these estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with corresponding effect on the depreciation charge and impairment loss.

e) Stores and spares

Management has made estimates for realizable amount of slow moving and obsolete stores and spares items to determine provision for slow moving and obsolete items. Any future change in the estimated realizable amounts might affect carrying amount of stores and spares with corresponding affect on amounts recognized in profit and loss account as provision / reversal.

Notes to the Financial Statements

for the year ended June 30, 2008

5. OPERATING FIXED ASSETS

The following is the statement of operating fixed assets:

Description	Freehold land	Buildings on freehold land	Leasehold improvements	Plant and machinery (note 5.3 & 5.4)	Furniture and fixtures	Vehicles	Office equipments	Computers	Total
(Rupees in thousands)									
Net carrying value basis									
year ended June 30, 2008									
Opening net book value (NBV)	271,942	265,814	1,632	1,711,113	7,106	29,352	609	5,805	2,293,373
Additions (at cost)	-	88,714	-	1,718,217	2,236	15,441	1,966	19,987	1,846,561
Disposals (NBV)	-	-	-	-	-	(925)	-	-	(925)
Retirements (NBV) (Refer note 5.1)	-	-	-	-	-	-	(29)	-	(29)
Depreciation charge	-	(11,819)	(1,399)	(261,704)	(2,418)	(6,181)	(433)	(4,837)	(288,791)
Impairment charge	-	-	-	(873)	-	-	-	-	(873)
Closing net book value (Refer note 5.2)	271,942	342,709	233	3,166,753	6,924	37,687	2,113	20,955	3,849,316
Gross carrying value basis									
year ended June 30, 2008									
Cost	271,942	429,644	6,995	5,067,467	20,631	55,522	4,370	43,686	5,900,257
Accumulated depreciation / Impairment	-	(86,935)	(6,762)	(1,900,714)	(13,707)	(17,835)	(2,257)	(22,731)	(2,050,941)
Net book value	271,942	342,709	233	3,166,753	6,924	37,687	2,113	20,955	3,849,316
Net carrying value basis									
year ended June 30, 2007									
Opening net book value (NBV)	271,942	228,577	3,031	1,877,828	4,670	16,221	767	5,911	2,408,947
Additions (at cost)	-	46,627	-	79,801	4,059	17,360	82	3,103	151,032
Disposals (NBV)	-	-	-	-	(2)	(45)	-	-	(47)
Retirements (NBV) (Refer note 5.1)	-	-	-	(423)	-	-	-	(46)	(469)
Depreciation charge	-	(9,390)	(1,399)	(246,093)	(1,621)	(4,184)	(240)	(3,163)	(266,090)
Closing net book value (Refer note 5.2)	271,942	265,814	1,632	1,711,113	7,106	29,352	609	5,805	2,293,373
Gross carrying value basis									
year ended June 30, 2007									
Cost	271,942	340,930	6,995	3,373,481	18,765	42,141	2,482	25,551	4,082,287
Accumulated depreciation/Impairment	-	(75,116)	(5,363)	(1,662,368)	(11,659)	(12,789)	(1,873)	(19,746)	(1,788,914)
Net book value	271,942	265,814	1,632	1,711,113	7,106	29,352	609	5,805	2,293,373
Depreciation rate % per annum	-	2.5 to 10	20	5 to 20	10 to 20	20	10 to 33	20 to 33	

- 5.1** These represent items retired during the year and sold as bulk scrap. Consequently, it is not practicable to assign sale proceeds to these retired assets individually (see note 34.1).
- 5.2** The cost of fully depreciated assets which are still in use as at June 30, 2008 is Rs. 651.59 million (2007: Rs. 636.12 million).
- 5.3** The carrying value of assets which are impaired is Rs. 1.02 million (2007: Nil).
- 5.4** Included in plant and machinery are some items with a cost of Rs. 16.87 million [N.B.V. Rs. 6.05 million (2007: Rs. 16.87 million (N.B.V. Rs. 7.60 million))] which have been installed outside the premises of the factory and which are not under the possession and control of the Company. However, the economic benefits associated with these assets are flowing to the Company.

Notes to the Financial Statements

for the year ended June 30, 2008

5.5 The depreciation charge for the year has been allocated as follows:

	Note	2 0 0 8 (Rupees in thousands)	2 0 0 7
Cost of sales	30	263,743	255,189
General and administrative expenses	31	14,029	10,539
Selling and distribution expenses	32	55	76
Capital work in progress : Trial production expenses	6.2	8,609	-
Other directly attributable costs		2,355	286
		288,791	266,090

5.6 The following operating fixed assets were disposed off during the year:

Description	Cost	Accumulated depreciation (Rupees in thousands)	Net Book value	Sale proceeds	Mode of disposal	Particulars of buyers
Plant and machinery						
Simplex sheet cutter	1,671	1,671	-	69	Negotiation	S.S.I. Enterprises
Items having book value upto Rs. fifty thousand	22,560	22,560	-	-	Written off	
	24,231	24,231	-	69		
Furniture and fixture						
Items having book value upto Rs. fifty thousand	370	370	-	-	Written off	
Vehicle						
Suzuki Mehran	365	43	322	330	Negotiation	Century Insurance Co. Ltd - Insurance claim
Suzuki Mehran	360	119	241	280	Negotiation	Mr.Masood Iqbal Qureshi - Employee
Mazda Van	907	622	285	325	Negotiation	Mr.Tariq Dyer
Items having book value upto Rs. fifty thousand	428	351	77	429	Negotiation	Various
	2,060	1,135	925	1,364		
Electrical and other equipment						
Items having book value upto Rs. fifty thousand	77	48	29	-	Written off	
Computers						
Items having book value upto Rs. fifty thousand	1,854	1,854	-	-	Written off	
Total - 2008	28,592	27,638	954	1,433		
Total - 2007	1,136	1,089	47	259		

Notes to the Financial Statements

for the year ended June 30, 2008

	Note	2 0 0 8 (Rupees in thousands)	2 0 0 7
6. CAPITAL WORK-IN-PROGRESS			
This comprises of:			
Expansion project			
Civil works		855,882	701,277
Plant and machinery	6.1	4,862,967	5,094,392
Financial charges		790,623	214,740
Arrangement and advisory fee for syndicate long-term financing		65,191	55,000
Consultancy Fee		92,544	2,668
Insurance charges		23,328	24,618
Trial production losses	6.2	143,127	-
Other directly attributable costs	6.3	74,338	27,605
Advances to suppliers		3,513	131,825
Others assets		19,103	1,080
		6,930,616	6,253,205
Existing operation			
Civil works		-	9,558
Plant and machinery [including in transit of Rs. 5.39 million (2007: Rs. 4.19 million)]		32,498	8,076
Advances to suppliers		43,068	25,671
		75,566	43,305
	6.4	7,006,182	6,296,510

6.1 This includes capital spares - in - transit amounting to Rs. 58.137 million (2007: Nil).

6.2 Trial production losses

Cost of sales

Raw material consumed	456,366	-
Fuel and power consumed	124,817	-
Stores and spares consumed	13,547	-
Salaries and other benefits	22,216	-
Packing expenses	9,941	-
Depreciation	8,609	-
Insurance	6,041	-
Others	5,358	-
	646,895	-
Less:		
Closing work in progress	92,170	-
Closing finished goods	91,422	-
	(183,592)	-
	(463,303)	-
Gross sales	366,196	-
Sales tax	43,144	-
Special excise duty	2,876	-
	(46,020)	-
Net sales	320,176	-
Trial production losses	(143,127)	-

Notes to the Financial Statements

for the year ended June 30, 2008

6.3 This includes depreciation charge on capitalized assets relating to expansion project amounting to Rs. 2.64 million (2007: Rs. 0.29 million).

6.4 An amount of Rs.1,791.00 million (2007: Rs. 79.29 million) has been transferred to operating fixed assets during the year. It includes capitalization of new power plant (COGEN-2) amounting to Rs. 1,528.00 million and assets amounting to Rs. 29.13 million which are part of expansion project (2007: Rs. 20.81 million).

	Note	2 0 0 8 (Rupees in thousands)	2 0 0 7
7. INTANGIBLE ASSETS			
Computer software - in use	7.1	1,123	-
ERP Software - under development	7.2	24,526	6,490
		25,649	6,490

7.1 Net carrying value basis

Opening net book value (NBV)		-	208
Additions (at cost)		1,162	-
Amortization charge	31	(39)	(208)
Closing net book value		1,123	-

Gross carrying value basis

Cost		1,162	1,344
Accumulated amortization		(39)	(1,344)
Net book value		1,123	-

Amortization rate % per annum 20 - 33.33 33.33

7.2 It includes expenditure incurred on acquiring, licencing and implementing Enterprise Resource Planning (ERP) software.

7.3 The cost of fully amortized intangible assets which are still in use as at June 30, 2008 is Rs. 1.34 million (2007: Rs. 1.34 million).

	Note	2 0 0 8 (Rupees in thousands)	2 0 0 7
8. LONG-TERM LOANS AND ADVANCES			
(Unsecured-considered good)			
Long-term loan	8.1	804	454
Long-term advances		4,750	-
		5,554	454
8.1 Due from employees	8.1.1	1,222	724
Less: Current portion shown under current assets	13	418	270
		804	454

8.1.1 These loans are granted principally for purchase of motor vehicles to employees of the Company which do not carry mark-up, in accordance with their terms of employment excluding those who have been provided with Company maintained cars.

Notes to the Financial Statements

for the year ended June 30, 2008

	Note	2 0 0 8 (Rupees in thousands)	2 0 0 7
9. LONG-TERM DEPOSITS AND OTHER RECEIVABLES			
Long term deposits			
Leases		199	398
Others		2,820	2,770
		3,019	3,168
Less: Current portion shown under current assets	14	199	199
		2,820	2,969
Other receivables			
Fair value of interest rate swap	9.1	1,866	2,255
Less: Current portion shown under current assets	15	1,866	1,467
		-	788
		2,820	3,757

9.1 It is measured at "fair value through profit and loss" as per IAS 39, Financial Instruments: Recognition and Measurement.

	Note	2 0 0 8 (Rupees in thousands)	2 0 0 7
10. STORES AND SPARES			
Stores		52,013	38,096
Spares			
in hand		306,592	203,502
in transit		24,950	6,993
	10.1	331,542	210,495
Provision for slow moving and obsolete items	10.2	383,555	248,591
	10.3	(21,500)	(18,000)
		362,055	230,591

10.1 This includes spares for expansion project amounting to Rs. 108.96 million (2007: Nil).

10.2 Provision for slow moving and obsolete stores and spares comprises:

Balance at beginning of the year		18,000	15,000
Provision for the year	30	3,500	3,000
Balance at end of the year		21,500	18,000

10.3 Stores and spares also include items which may result in capital expenditure but are not distinguishable at the time of purchase.

11. STOCK-IN-TRADE

Raw materials			
in hand		1,086,806	341,462
in transit		154,517	53,137
	11.1	1,241,323	394,599
Work-in-process	11.2	140,476	48,383
Finished goods	11.3	114,679	12,880
		1,496,478	455,862

11.1 This includes raw material for expansion project amounting to Rs. 550.37 million (2007: Nil).

11.2 This includes work-in-progress relating to trial production of expansion project amounting to Rs. 92.17 million (2007: Nil).

11.3 This includes finished goods relating to trial production of expansion project amounting to Rs. 91.42 million (2007: Nil).

Notes to the Financial Statements

for the year ended June 30, 2008

	Note	2008 (Rupees in thousands)	2007
12. TRADE DEBTS			
Considered good			
Secured		8,206	6,636
Unsecured			
Due from associated undertakings	12.1	79,762	38,947
Others		325,203	235,218
		404,965	274,165
		413,171	280,801
12.1 This comprises amounts receivable from:			
Colgate-Palmolive (Pakistan) Limited		20,389	14,926
Merit Packaging Limited		56,635	23,084
Clover Pakistan Limited		2,738	937
		79,762	38,947
13. LOANS AND ADVANCES (Unsecured - considered good)			
Loans			
Current portion of long-term loans			
Due from employees	8.1	418	270
Advances			
to employees	13.1	7,386	1,127
to suppliers		10,926	2,603
Others		-	1,808
		18,312	5,538
		18,730	5,808
13.1 The advances to employees are provided to meet business expenses and are settled as and when the expenses are incurred.			
14. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Current portion of long-term deposits	9	199	199
Deposits		7,917	3,929
Prepayments		11,219	702
		19,335	4,830
15. OTHER RECEIVABLES			
Unsecured-considered good			
Current portion of fair value of interest rate swap	9	1,866	1,467
Due from associated undertakings	15.1	1,775	141
Insurance claim on consequential loss policy	15.2	22,400	-
Claim receivable from supplier	15.3	6,800	-
Others		914	144
		33,755	1,752
15.1 This comprises of amounts receivable from:			
Century Insurance Company Limited		1,706	141
Tritex Cotton Mills Limited		69	-
		1,775	141
15.2 This represents an amount receivable from an associated undertaking, Century Insurance Company Limited.			
15.3 This represents claim receivable from Wartsila Pakistan Limited (Private) in respect of conversion of dual fire generators.			

Notes to the Financial Statements

for the year ended June 30, 2008

	Note	2 0 0 8 (Rupees in thousands)	2 0 0 7
16. TAX REFUNDS DUE FROM GOVERNMENT			
(Considered good)			
Income tax	16.1	37,980	8,623
Sales tax and special excise duty	16.2	112,395	-
		150,375	8,623

16.1 For the tax year 2007 refund of Rs. 37.98 million has been determined for which an application has been filed before the taxation authorities for issuance of refund voucher which is pending.

16.2 This amount relates to input on sales tax and special excise duty paid on purchase of raw materials and stores and spares for expansion project. This amount is expected to adjust against future incremental sales.

17. TAXATION - NET

The income tax assessments of the Company have been finalized upto tax year 2007 (accounting year ended June 30, 2007) and adequate provisions have been made in these financial statements for the year ended June 30, 2008 (tax year 2008). Return filed for the tax year 2004 has been selected for total audit however, the audit proceedings in this regard has not yet been finalized by the tax authorities.

	Note	2 0 0 8 (Rupees in thousands)	2 0 0 7
18. CASH AND BANK BALANCES			
At banks			
in current accounts	18.1	5,172	6,745
in deposit accounts		-	3,645
		5,172	10,390
In hand			
Cheques		6,056	6,195
Cash		5,246	5,221
		16,474	21,806

18.1 Cash at banks in current accounts include US Dollars 1,008 (2007: US Dollars 1,008) held in foreign currency account.

19. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Number of ordinary shares of Rs.10/- each				
2 0 0 8	2 0 0 7			
56,473,830	56,473,830	Fully paid in cash	564,738	564,738
13,502,046	7,076,280	Issued as fully paid bonus shares	135,021	70,763
69,975,876	63,550,110		699,759	635,501
707,550	707,550	Issued under scheme of amalgamation	7,075	7,075
70,683,426	64,257,660		706,834	642,576
43,118,360	34,334,000	Shares held by associated companies	431,184	343,340

Notes to the Financial Statements

for the year ended June 30, 2008

	Note	2 0 0 8 (Rupees in thousands)	2 0 0 7
20. RESERVES			
Capital			
Share premium	20.1	984,652	1,048,910
Merger reserve	20.2	7,925	7,925
		992,577	1,056,835
Revenue			
General		1,204,750	1,120,750
Unappropriated profit		28,461	84,310
		1,233,211	1,205,060
	20.3	2,225,788	2,261,895

20.1 This reserve can be utilized by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

20.2 This represents amount arising under scheme of arrangement for amalgamation of former Century Power Generation Limited with the Company, a subsidiary with the Company.

20.3 Movement of reserves have been reflected in the statement of changes in equity.

	Note	2 0 0 8 (Rupees in thousands)	2 0 0 7
21. SUBORDINATED LOAN - UNSECURED			
From Sponsors of the Company	21.1	1,650,000	1,575,000

21.1 These loans have been obtained from Sponsors of the Company to finance the escalations in the expansion project cost and upon issuance of Sukuk Certificates it has been converted to subordinated loan to the repayment of Islamic Sukuk Certificates of Rs 3,500 million (note 22.1) and Syndicated Term Finance Facility of Rs 2,000 million (note 22.2).

These loans carry mark-up at last three days average of three months KIBOR to be set at beginning of each quarter.

The repayment is restricted upon the expiry of lock-in- period (expiry of five years from the disbursement of the Financers' Facilities) after which it is repayable as per terms and conditions of sub-ordination agreement.

22. LONG-TERM FINANCING

From banking companies - secured

Utilized under mark-up arrangements

Financed by:

Islamic Sukuk Certificates

22.1 3,500,000 -

Consortium of Banks (Syndicated - 2)

22.2 2,000,000 -

Consortium of Banks (Syndicated - 1)

22.3 - 3,350,000

United Bank Limited - 1

22.4 166,665 333,333

United Bank Limited - 2

22.5 64,287 107,143

5,730,952 3,790,476

Less: Current portion shown under current liabilities

(209,524) (209,524)

5,521,428 3,580,952

Unsecured

Sponsors' loan

22.6 450,000 -

From Director

22.7 - 150,000

450,000 150,000

5,971,428 3,730,952

Notes to the Financial Statements

for the year ended June 30, 2008

- 22.1** This represents Sukuk Certificates privately placed with banks and other institutional investors under diminishing musharaka arrangement specifically for expansion project for a period of seven years. The certificates are redeemable in ten equal semi annual installments commencing from March 2010.

The agreement gives an exclusive use of the Musharaka assets to the Company (Issuer) only against the rental payments.

Rental payments are calculated to provide return to Certificate Holders equal to base rate plus margin plus Service Agency Expenses incurred by the Trustee during the previous semi annual period. Base rate is equal to average of six months KIBOR of last five business days prior to beginning of each semi annual rental payment period. The margin is equal to 1.35% per annum.

These are secured by way of mortgage of immovable properties of the Company and ranking hypothecation charge over the assets of respective expansion project to the extent of beneficial right of the Certificate Holders with 25% margin.

- 22.2** This syndicated term finance facility has been obtained from a Consortium of Banks under joint facility arrangement with Sukuk Financing amounting to Rs 2,000 million specifically for expansion project. The tenor of the facility is nine years with twenty four months grace period. This finance facility is repayable in fourteen stepped up semi annual installments commencing from March 2010.

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

The rate of mark up is 1.50% per annum over average of six months KIBOR of the last five business days prior to the beginning of each installment period.

- 22.3** The amount utilized under this facility has been repaid in full.

- 22.4** This facility has been obtained from United Bank Limited amounting to Rs. 500 million specifically for expansion project.

The rate of mark-up on Rs. 260 million is 0.65% over the three months KIBOR to be set one day prior to the beginning of each quarter. However, the Company has entered into an interest rate swap agreement with United Bank Limited for a notional amount of Rs. 260 million amortizing up to June 2009. Under swap arrangement, the Company would receive average of last three cut off yields of three months Government treasury bills from bank on notional amount and pay at 7.67 % per annum calculated on the outstanding notional amount over 365 days basis at quarterly settlement dates. The Company has the option of unwinding whole or part of the swap transaction at any quarterly settlement date with prior notice to the bank. The fair value of above swap is Rs. 1.866 million (2006: Rs. 2.255 million).

The rate of mark-up on balance amount of Rs. 240 million is 0.65% over three months KIBOR to be set one day prior to the beginning of each quarter. The rate of additional mark-up on default is 12% per annum. The tenor of financing is 5.25 years including twenty seven months grace period. The finance facility is repayable in twelve equal quarterly installments which commenced from September 2006. The purchase price of the facility is Rs. 609 million. The finance facility is secured by first exclusive hypothecation charge over the respective expansion project with 25% margin.

- 22.5** A long-term finance facility has been obtained from United Bank Limited amounting to Rs.150 million specifically for conversion of COGEN-1 power generators. The rate of mark-up is 0.65% over the three months KIBOR to be set one day prior to the beginning of each quarter. The rate of additional mark-up on default is 12% per annum. The tenor of financing is 5.25 years including eighteen months grace period. The finance facility is repayable in fourteen equal quarterly installments which commenced from September 2006. The purchase price of the facility is Rs. 180.39 million. The facility is secured by first exclusive hypothecation charge over the power generators with 25% margin for maximum secured amount of Rs. 200 million.

- 22.6** This represents loan obtained from the sponsors to finance expansion projects of the Company. The loan carries mark-up based on average of last three days of three month KIBOR of preceding quarter to be set at beginning of each quarter.

The loan of Rs. 300 million is repayable in three equal semi-annually installments commencing from July 2010 and loan of Rs. 150 million will be repaid after June 30, 2009.

- 22.7** The amount utilized under this facility has been repaid in full.

Notes to the Financial Statements

for the year ended June 30, 2008

	Note	2008 (Rupees in thousands)	2007
23. DEFERRED TAXATION			
Deferred taxation	23.1	352,214	364,831
23.1 The net balance for deferred taxation is in respect of following temporary differences :			
Deferred tax liabilities:			
Accelerated tax depreciation allowance		687,752	370,423
Others		-	708
		687,752	371,131
Deferred tax assets:			
Taxable loss		(303,482)	-
Turnover tax		(23,406)	-
Provision for slow moving and obsolete Stores and spares		(7,525)	(6,300)
Others		(1,125)	-
		(335,538)	(6,300)
		352,214	364,831
24. RETENTION MONEY PAYABLE			
Retention money payable		78,292	166,054
Current portion shown under current liabilities		(59,379)	(140,044)
	24.1	18,913	26,010
24.1 This relates to retention money payable to the contractors of expansion project.			
25. TRADE AND OTHER PAYABLES			
Creditors	25.1	458,768	139,415
Accrued liabilities		68,286	72,321
Sales tax payable		-	20,240
Customers' balances		22,967	15,351
Gratuity payable	39.4	5,080	231
Workers' profit participation fund	25.3	2,222	7,847
Workers' welfare fund		3,056	3,198
Unclaimed dividend		736	736
Security deposits		3,850	1,050
Other liabilities		12,963	8,240
		577,928	268,629
25.1 This includes amount of Rs. 164.09 million (2007: Nil) of foreign bills payable.			
25.2 The aggregate amount of the outstanding balance of associated undertakings as at June 30, 2008 is Rs 2.54 million (2007: Rs 0.92 million).			
25.3 Workers' profit participation fund			
Balance at July 01		7,847	16,208
Interest on fund utilized in Company's business	35	279	1,144
Allocation for the year	33	1,943	6,703
		10,069	24,055
Amount paid during the year		(7,847)	(16,208)
Balance at June 30		2,222	7,847

Notes to the Financial Statements

for the year ended June 30, 2008

	Note	2 0 0 8 (Rupees in thousands)	2 0 0 7
26. FINANCIAL CHARGES PAYABLE			
Financial charges payable on:			
Long-term financing		172,881	112,085
Short-term borrowings		23,627	5,488
Commitment fee payable		-	1,340
		196,508	118,913
27. SHORT TERM BORROWINGS			
From banking companies - secured			
Running finances	27.1 & 27.3	1,059,094	92,609
Import credit finances	27.2 & 27.3	374,927	206,315
		1,434,021	298,924

27.1 The Company has aggregate short term running finance facilities amounting to Rs. 2,400 million (2007: Rs. 1,080 million) which includes Letter of Credit limit of Rs. 700 million (2007: Nil) convertible into FE loan from commercial banks on mark-up basis. Rates, net of the prompt payment rebate, are linked with KIBOR from one to three months plus spreads ranging from 0.45% to 1.50% per annum. The unutilized facility at the end of the year is Rs. 966 million (2007: Rs. 781 million). The purchase prices and mark-up amounts are payable by June 30, 2008.

27.2 An amount of US\$ 5.48 million (2007: US\$ 3.42 million) from banks for settlement of import bills is outstanding as at balance sheet date. This facility is priced at one month LIBOR plus spread ranging between 0.50 % to 2.50% per annum.

27.3 Above arrangements are secured by way of pari passu hypothecation charge created on stock-in-trade, stores and spares and trade debts of the Company.

27.4 Additionally the Company has the facilities for opening of letters of credit and guarantees amounting to Rs 2,334 million (2007: Rs. 1,264 million) out of which Rs. 1,523.35 million (2007: Rs. 631.21 million) remained unutilized at the balance sheet date.

28. CONTINGENCIES AND COMMITMENTS

28.1 Contingencies

Guarantees have been issued by banks on behalf of the Company in the normal course of business aggregating to Rs. 291.55 million (2007: Rs. 276.55 million).

28.2 Commitments

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

- a)** Letters of credit other than for capital expenditure at the end of the year amounted to Rs. 139.77 million (2007: Rs. 263.63 million).
- b)** Capital expenditure including letters of credit amounted to Rs. 194.76 million (2007: Rs. 1,142.64 million).
- c)** Licensing and implementation cost of ERP software amounted to Rs. 19.16 million (2007: Rs. 6.45 million).
- d)** Technical consultancy fee for expansion project of Rs. 6.98 million (2007: Nil).

Notes to the Financial Statements

for the year ended June 30, 2008

	Note	2 0 0 8 (Rupees in thousands)	2 0 0 7
e) Rentals under lease agreements in respect of vehicles are as follows:			
Within one year		56	555
After one year but not more than five years		-	56
		56	611
29. SALES			
Gross sales		5,036,261	4,415,467
Sales tax		(632,311)	(571,710)
Special excise duty		(42,934)	-
		(675,245)	(571,710)
		4,361,016	3,843,757
30. COST OF SALES			
Materials consumed		2,538,384	2,177,299
Fuel and power		635,248	602,392
Depreciation	5.5	263,743	255,189
Salaries, wages and other benefits	30.1	233,701	187,502
Repairs and maintenance	30.2	290,292	216,585
Packing expenses		78,054	68,737
Insurance		21,202	19,496
Security services charges		4,516	3,540
Provision for slow moving and obsolete stores and spares	10.2	3,500	3,000
Travelling and conveyance		3,278	580
Printing, stationery and periodicals		2,802	1,685
Lease rentals		308	736
Communication		322	303
Less: Insurance claim on consequential loss policy		(22,400)	-
		4,052,950	3,537,044
Work-in-process			
Opening Stock		48,383	50,019
Closing Stock		(48,306)	(48,383)
		77	1,636
Cost of goods manufactured		4,053,027	3,538,680
Finished goods			
Opening stock		12,880	12,373
Closing stock		(23,257)	(12,880)
		(10,377)	(507)
		4,042,650	3,538,173

30.1 Salaries, wages and other benefits include Rs.12.89 million (2007: Rs. 7.26 million) in respect of staff retirement benefits.

30.2 Repairs and maintenance includes Rs.241 million (2007: Rs. 181 million) in respect of stores and spares consumed.

Notes to the Financial Statements

for the year ended June 30, 2008

	Note	2 0 0 8 (Rupees in thousands)	2 0 0 7
31. GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries and other benefits	31.1	73,105	51,913
Depreciation	5.5	14,029	10,539
Rent, rates and taxes		7,577	5,897
Communication		6,683	5,496
Insurance		2,006	2,013
Repairs and maintenance		3,297	2,914
Lease rentals		-	258
Electricity		2,865	1,699
Amortization of intangible assets	7.1	39	208
Fees and subscription		1,797	827
Advertisement and publicity		265	166
Travelling and conveyance		3,174	1,542
Security service charges		2,213	482
Printing, stationery and periodicals		1,677	1,391
Business promotion expenses		1,584	917
Others		386	327
		120,697	86,589

31.1 Salaries and other benefits include Rs.4.73 million (2007: Rs. 2.61 million) in respect of staff retirement benefits.

32. SELLING AND DISTRIBUTION EXPENSES

Selling expenses:

Salaries and other benefits	32.1	13,398	9,512
Insurance		214	116
Repairs and maintenance		444	329
Lease rentals		261	283
Electricity		608	281
Depreciation	5.5	55	76
Advertisement and publicity		-	6
Travelling and conveyance		1,167	830
Rent, rate and taxes		765	282
Communication		500	375
		17,412	12,090

Distribution expenses:

Outward freight		23,344	15,550
		40,756	27,640

32.1 Salaries and other benefits include Rs. 0.96 million (2007: Rs. 0.53 million) in respect of staff retirement benefits.

Notes to the Financial Statements

for the year ended June 30, 2008

	Note	2008 (Rupees in thousands)	2007
33. OTHER OPERATING CHARGES			
Legal and professional charges		2,744	1,754
Loss on change in fair value of interest rate swap		389	2,245
Auditors' remuneration			
Statutory audit		460	400
Half yearly review		80	70
Fee for other services		115	75
Reimbursement of expenses		44	43
		699	588
Workers' profit participation fund	25.3	1,943	6,703
Workers' welfare fund - prior year		(142)	3,177
Net exchange loss	33.1	53,684	-
Impairment charge		873	-
Donation	33.2	100	-
		60,290	14,467

33.1 The net exchange loss has arisen due to the Company's short term exposure in foreign currency (FE 25) consequent to significant decline in the Pak rupee value.

33.2 None of the directors and their spouses had any interest in the donation during the year.

34. OTHER OPERATING INCOME

Income from financial assets

Gain on sale of short term investment		-	755
Net exchange gain		-	143
Profit on bank deposit accounts		27	75
		27	973

Income from non-financial assets

Sale of scrap	34.1	24,937	30,636
Profit on sale of fixed assets - net		479	210
Claim from supplier	15.3	6,800	-
Insurance agency commission from associated company		6,098	3,895
Provision and unclaimed liabilities written back		1,311	1,127
Others		471	221
		40,096	36,089
		40,123	37,062

34.1 This includes sales proceeds of fixed assets sold as bulk scrap during the year (refer note 6.1).

35. FINANCIAL CHARGES

Financial charges on:			
Long term financing		49,029	60,668
Short term borrowings		48,106	25,783
Workers' profit participation fund	25.3	279	1,144
		97,414	87,595
Bank charges and commission		2,279	2,173
		99,693	89,768

Notes to the Financial Statements

for the year ended June 30, 2008

	Note	2 0 0 8 (Rupees in thousands)	2 0 0 7
36. TAXATION			
For the year			
Current	36.1	23,913	38,565
Deferred		(12,618)	2,487
		11,295	41,052
Prior year		(2,393)	(328)
		8,902	40,724

36.1 In view of tax loss for the year, provision for current year taxation includes minimum tax payable under Section 113 of the Income Tax Ordinance, 2001 at the rate of one-half of one percent of turnover of the Company.

36.2 Numerical reconciliation between the applicable tax rate and average effective tax rate is as follows:

	2 0 0 8 %age	2 0 0 7 %age
Applicable tax rate	35.00	35.00
Tax effect of expenses that are not deductible in determining taxable profit (permanent differences)	(0.14)	(1.26)
Effect of final tax under presumptive tax regime	(4.39)	(0.69)
Effect of change in prior year tax	(6.45)	(0.26)
	(10.98)	(2.21)
Average effective tax rate	24.02	32.79

	2 0 0 8	Restated 2 0 0 7
	(Rupees in thousands)	
37. EARNINGS PER SHARE - BASIC AND DILUTED		
There is no dilutive effect on the basic earnings per share of the Company, which is based on:		
Profit after taxation	28,151	83,458
Weighted average number of ordinary shares (in thousands)	70,684	70,684
Earnings per share (Rupees)	0.40	1.18

37.1 Earnings per share for the year ended June 30, 2007 has been restated in accordance with the requirements of International Accounting Standard 33 "Earnings per share" on account of issue of bonus shares.

38. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in their meeting held on August 26, 2008 has proposed NIL (2007: 10%) bonus shares issue and transfer to general reserve from un-appropriated profit of Rs. 28 million (2007: Rs. 84 million) subject to the approval of members at the Annual General Meeting to be held on September 27, 2008.

Notes to the Financial Statements

for the year ended June 30, 2008

39. DEFINED BENEFIT PLAN

39.1 General description

The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of last drawn basic salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at June 30, 2008, using the Projected Unit Credit Method.

	2 0 0 8	2 0 0 7
39.2 Principal actuarial assumptions		
Following are a few important actuarial assumptions used in the valuation:		
Discount rate (%)	12	10
Expected rate of return on plan assets (%)	10	12
Expected rate of increase in salary (%)	12	10
Average expected remaining working life time of employees (years)	7	8

	Note	2 0 0 8 (Rupees in thousands)	2 0 0 7
39.3 Reconciliation of due to/(from) defined benefit plan			
Present value of defined benefit obligation		87,772	70,175
Fair value of plan assets		(71,914)	(70,074)
		15,858	101
Net actuarial (loss) / gain to be recognized in later periods		(10,778)	130
Closing net liability		5,080	231

39.4 Movement of the (asset)/liability recognized in the balance sheet

Opening net asset		231	(2,344)
Charge for the year	39.5	9,232	2,772
Contribution to fund made during the year		(4,383)	(197)
Closing net liability	25	5,080	231

39.5 Charge for the year

Current service cost		9,222	4,732
Interest cost		7,017	5,251
Expected return on plan assets		(7,007)	(7,211)
Charge for the year		9,232	2,772

39.6 Comparison for five years

	2007-08	2006-07	2005-06	2004-05	2003-04
a) Present value of Defined Benefits Obligation and Fair Value of Plan Assets					
Present value of defined obligations at year end	87,772	70,175	58,350	49,645	41,431
Fair value of plan assets at year end	71,914	70,074	60,093	53,236	43,262
	(15,858)	(101)	1,743	3,591	1,831
b) Experience Adjustments					
Experience adjustment arising on plan liabilities (gains)/losses	4,944	6,044	7,279	3,542	(791)
Experience adjustment arising on plan assets (gains)/losses	(5,965)	6,775	3,581	1,929	3,592
Actual return on plan assets	1,043	13,986			

Notes to the Financial Statements

for the year ended June 30, 2008

	Note	2 0 0 8 (Rupees in thousands)	2 0 0 7
40. CASH GENERATED FROM OPERATIONS			
Profit before taxation		37,053	124,182
Adjustment for non-cash charges and other items:			
Depreciation		277,827	265,804
Impairment loss		873	-
Amortization of intangible assets		39	208
Profit on sale of fixed assets		(508)	(210)
Fixed assets retired (net book value)		29	469
Provision for gratuity		9,232	2,772
Provision for slow moving / obsolete stores and spares		3,500	3,000
Profit on short term investment and bank deposit accounts		(27)	(830)
Fair value of interest rate swap		389	2,245
Financial charges	35	99,693	89,768
Working capital changes	40.1	(1,174,926)	(101,748)
		(746,826)	385,660

40.1 Working capital changes

Decrease/(increase) in current assets:			
Stores and spares		(134,964)	(40,393)
Stock-in-trade		(1,040,616)	(30,922)
Trade debts		(132,370)	(64,763)
Loans and advances		(12,922)	3,291
Trade deposits and short-term prepayments		(14,505)	(2,960)
Other receivables		(31,604)	3,076
Tax refunds due from Government		(112,395)	-
		(1,479,376)	(132,671)
Increase in current liabilities:			
Trade and other payables (excluding unclaimed dividend and gratuity payable)		304,450	30,923
		(1,174,926)	(101,748)

Notes to the Financial Statements

for the year ended June 30, 2008

41. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

- a) The aggregate amount charged in the financial statements for remuneration, including all benefits to Chief Executive, Directors and Executives of the Company is as follows:

	2008				2007			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	(Rupees in thousands)							
Managerial remuneration	9,060	6,213	14,804	30,077	3,020	5,016	10,723	18,759
House rent	-	2,458	5,944	8,402	-	1,713	3,741	5,454
Bonus	-	1,270	2,129	3,399	-	817	1,322	2,139
Staff retirement benefits	-	946	1,645	2,591	-	813	1,105	1,918
Medical	900	609	1,477	2,986	300	489	1,069	1,858
Utilities	724	-	293	1,017	327	261	821	1,409
Others	-	17	158	175	-	17	140	157
Total	10,684	11,513	26,450	48,647	3,647	9,126	18,921	31,694
Number of persons	1	2	20	23	1	2	17	20

- b) Aggregate amount charged in these financial statements in respect of Directors' fee is Rs. 2,000 (2007: Rs. 2,000).
- c) The Chief Executive, Directors and Executives are also provided with free use of Company maintained cars.
- d) Remuneration of the Chief Executive in the year 2007 relates to four months period starting from March 1, 2007.

42. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise 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	2008	2007
			(Rupees in thousands)	
Associated companies	Sales of goods and services	42.1	521,863	509,804
	Purchase of goods and services	42.1	95,459	95,420
	Rent and other allied charges	42.1	3,853	3,492
	Insurance agency commission		6,098	3,895
	Issue of bonus shares		35,619	-
	Insurance claims		22,730	-
Other related parties	Purchase of goods and services		12,159	8,070
Sponsors and Directors	Long-term financing obtained from sponsors and directors		525,000	1,725,000
	Mark-up on Sponsors loan		173,369	20,344
	Repayment of Director loan		150,000	-
	Issue of bonus shares		959	-
Retirement benefit plans	Contribution to staff retirement benefit plans		14,623	11,912
Key management personnel	Remuneration and other benefits	42.2	48,647	31,694

Notes to the Financial Statements

for the year ended June 30, 2008

- 42.1** Corresponding figures include transactions with Lakson Tobacco Company Limited which ceased to be an associated company with effect from March 8, 2007.
- 42.2** There are no transactions with key management personnel other than under their terms of employment.
- 42.3** The related party status of outstanding balances as at June 30, 2008 are included in "Trade debts" (note 13), "Other receivables" (note 16) and "Trade and other payables" (note 25) respectively.

43. CAPACITY AND PRODUCTION - TONNES

	2 0 0 8		2 0 0 7	
	Annual capacity on three shifts	Actual production	Annual capacity on three shifts	Actual production
Paper and paper board produced	110,000	96,778	110,000	95,483
Paper and paper board conversion	22,000	17,128	15,000	12,373

The above stated capacities do not include capacity of 130,000 MT of expansion project - Coated Duplex Board Machine which is currently operating in trial production phase.

44. FINANCIAL ASSETS AND LIABILITIES

	Note	2 0 0 8				
		Total	Interest/mark up bearing		Not interest /mark up bearing	
			Maturity upto one year	Maturity after one year		Sub-total
(Rupees in thousands)						
Financial assets						
Long-term loans		1,222	-	-	-	1,222
Long-term deposits and other receivables		2,820	-	-	-	2,820
Trade debts		413,171	-	-	-	413,171
Trade deposits		8,116	-	-	-	8,116
Other receivables		4,555	-	-	-	4,555
Cash and bank balances		16,474	-	-	-	16,474
		446,358	-	-	-	446,358
Financial liabilities						
Subordinated loan		1,650,000	-	1,650,000	1,650,000	-
Long-term financing		6,180,952	209,524	5,971,428	6,180,952	-
Trade and other payables		545,083	-	-	-	545,083
Financial charges payable		196,508	-	-	-	196,508
Retention money payable		78,292	-	-	-	78,292
Short-term borrowings		1,434,021	1,434,021	-	1,434,021	-
		(10,084,856)	(1,643,545)	(7,621,428)	(9,264,973)	(819,883)
On balance sheet gap		(9,638,498)	(1,643,545)	(7,621,428)	(9,264,973)	(373,525)
Off Balance sheet Items						
Financial commitments:						
Letter of credits	28.2 (a)	139,770	-	-	-	139,770
Capital Commitment including letter of credits	28.2 (b)	194,760	-	-	-	194,760
Commitments for ERP software (Oracle)	28.2 (c)	19,160	-	-	-	19,160
Commitments for rental under operating leases	28.2 (e)	56	-	-	-	56
		(353,746)	-	-	-	(353,746)
Total Gap		(9,992,244)	(1,643,545)	(7,621,428)	(9,264,973)	(727,271)

Notes to the Financial Statements

for the year ended June 30, 2008

Note	2 0 0 7				
	Total	Interest/mark up bearing			Not interest /mark up bearing
		Maturity upto one year	Maturity after one year	Sub-total	
(Rupees in thousands)					
Financial assets					
Long-term loans	724	-	-	-	724
Long-term deposits and other receivables	3,757	-	-	-	3,757
Trade debts	280,801	-	-	-	280,801
Trade deposits	4,128	-	-	-	4,128
Other receivables	1,752	-	-	-	1,752
Cash and bank balances	21,806	3,645	-	3,645	18,161
	312,968	3,645	-	3,645	309,323
Financial liabilities					
Long-term financing	5,515,476	209,524	5,155,952	5,365,476	150,000
Trade and other payables	220,971	-	-	-	220,971
Financial charges payable	118,913	-	-	-	118,913
Retention money payable	166,054	-	-	-	166,054
Short-term borrowings	298,924	298,924	-	298,924	-
	(6,320,338)	(508,448)	(5,155,952)	(5,664,400)	(655,938)
On balance sheet gap	(6,007,370)	(504,803)	(5,155,952)	(5,660,755)	(346,615)
Off Balance sheet Items					
Financial commitments:					
Letter of credits	28.2 (a)	263,630	-	-	263,630
Capital Commitment including letter of credits	28.2 (b)	1,142,638	-	-	1,142,638
Commitments for licence cost of ERP software (Oracle)	28.2 (c)	6,450	-	-	6,450
Commitments for rental under operating leases	28.2 (e)	611	-	-	611
		(1,413,329)	-	-	(1,413,329)
Total Gap	(7,420,699)	(504,803)	(5,155,952)	(5,660,755)	(1,759,944)

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

Taken as a whole, risk arising from the Company's financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted. All the financial assets except cash in hand are subject to credit risk. The Company believes that it is not exposed to major concentration of credit risk. The Company seeks to minimize the credit risk exposure through dealing with customers considered credit worthy and obtaining advances and securities where applicable.

The exposure to banks is managed by dealing with variety of major banks and monitoring exposure limits on continuous basis.

b) Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. On-balance sheet items exposed to foreign currency risk consist of bank balances, import credit finances and foreign bills payable amounting to Rs. 0.07 million (2007: 0.06 million), Rs. 374.93 million, (2007: Rs. 206.30 million) and Rs. 178.67 million (2007: Nil) respectively. Off-balance sheet items exposed to foreign currency risk consist of commitments amounting to Rs. 199.59 million (2007: Rs. 985.52 million). In appropriate cases, the management takes out forward contracts to mitigate the risk.

Notes to the Financial Statements

for the year ended June 30, 2008

c) Interest rate risk management

Financial liabilities include Rs. 9,178.31 million (2007: Rs 5,491.07 million) which are subject to floating interest rate. Applicable effective interest rates for financial assets and financial liabilities have been disclosed in respective notes to the financial statements.

d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to effective cash management and planning policy, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

46. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

47. CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

48. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on August 26, 2008 by the Board of Directors of the Company.

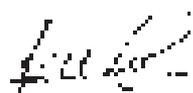
49. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison, for the purpose of better presentation. Significant changes made during the year were as follows:

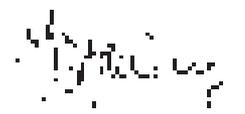
- i) Under the head "Capital work in progress" expansion project (Note 6) financial charges on sponsor's subordinated loan amounting to Rs. 20.34 million previously included in "Other directly attributable cost" has now been included in "Financial charges".
- ii) Consultancy fee amounting to Rs. 2.668 million previously included in "Other directly attributable cost" under capital work in progress has now been separately disclosed (Note 6).
- iii) Sponsors' loan amounting to Rs.1,575 million previously included under "Long term financing" has now been presented separately on the face of the balance sheet under the head of "Subordinated loan" (Note 21).
- iv) Tax refundable from tax authorities amounting to Rs. 8.623 million previously included in "Taxation - net" has now been included under the head "Tax refunds from government" (Note 16).

50. GENERAL

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



Iqbal Ali Lakhani
Chairman & Chief Executive



Tasleemuddin Ahmed Batlay
Director

Shareholding Pattern

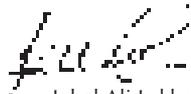
as at June 30, 2008

NO. OF SHAREHOLDERS	FROM	SHAREHOLDING	TO	TOTAL SHARES HELD
242	1		100 shares	10,486
322	101		500 shares	100,091
188	501		1000 shares	151,195
364	1001		5000 shares	823,309
90	5001		10000 shares	662,712
38	10001		15000 shares	476,309
15	15001		20000 shares	268,212
7	20001		25000 shares	162,962
7	25001		30000 shares	185,157
2	30001		35000 shares	65,670
4	35001		40000 shares	152,580
3	40001		45000 shares	127,800
1	45001		50000 shares	46,550
3	50001		55000 shares	162,806
1	55001		60000 shares	57,500
1	65001		70000 shares	70,000
1	70001		75000 shares	75,000
1	90001		95000 shares	94,010
3	95001		100000 shares	294,500
1	105001		110000 shares	105,600
1	110001		115000 shares	113,300
1	120001		125000 shares	122,100
1	125001		130000 shares	129,800
1	130001		135000 shares	132,000
1	145001		150000 shares	146,500
1	195001		200000 shares	200,000
1	290001		295000 shares	292,820
1	300001		305000 shares	304,900
1	315001		320000 shares	318,500
1	325001		330000 shares	328,350
1	360001		365000 shares	364,925
1	435001		440000 shares	438,460
1	505001		510000 shares	508,800
1	600001		605000 shares	600,710
1	705001		710000 shares	707,290
1	780001		785000 shares	781,220
1	1340001		1345000 shares	1,343,034
1	1380001		1385000 shares	1,384,060
1	1540001		1545000 shares	1,544,820
1	1785001		1790000 shares	1,789,250
1	2355001		2360000 shares	2,357,636
1	5550001		5555000 shares	5,552,533
1	5715001		5720000 shares	5,719,568
1	5770001		5775000 shares	5,774,324
1	5950001		5955000 shares	5,952,112
1	14015001		14020000 shares	14,016,675
1	15665001		15670000 shares	15,667,290
1,321			TOTAL	70,683,426

Categories of shareholders	Shares held	Percentage
Directors, CEO and their Spouses & minor children	35,773	0.05
Associated Companies, Undertakings and Related Parties	43,118,360	61.00
NIT	5,552,833	7.86
Public Sector Companies and Corporations	2,357,636	3.34
Banks, Development Financial Institutions and Non-Banking Financial Institutions	2,292,597	3.24
Modaraba and Mutual Funds	8,060,698	11.40
Insurance Companies	823,400	1.16
Others	3,551,892	5.03
General Public	4,890,237	6.92
TOTALS	70,683,426	100.00

Note: Some of the shareholders are reflected in more than one category.

Date: 30 June 2008


Iqbal Ali Lakhani
Chairman & Chief Executive

Details of Pattern of Shareholding as per Requirements of Code of Corporate Governance as at June 30, 2008

SHAREHOLDER'S CATEOGRY	SHARES HELD	
ASSOCIATED COMPANIES		
M/s. SIZA (Private) Limited	14,016,675	
M/s. SIZA Commodities (Pvt) Ltd.	5,774,324	
M/s. SIZA Services (Private) Limited	15,667,290	
M/s. Premier Fashions (Pvt) Ltd.	5,952,112	
M/s. Accuray Surgicals Limited	1,343,034	
M/s. Century Insurance Company Ltd.	364,925	
NIT AND ICP		
National Bank of Pakistan, Trustee Deptt.	5,552,533	
National Bank of Pakistan.	300	
DIRECTORS, CEO AND THEIR SPOUSE AND MINOR CHILDREN		
Mr. Iqbal Ali Lakhani	Director/Chief Executive	1,081
Mr. Zulfiqar Ali Lakhani	Director	550
Mr. Amin Mohammed Lakhani	Director	932
Mr. Tasleemuddin Ahmed Batlay	Director	1,982
Mr. Aftab Ahmad	Director	2,736
Mr. Zafar Iqbal Sobani	Director	1,100
Mr. Syed Shabahat Hussain - Nominee	Director (NIT)	
Mrs. Ronak Iqbal Lakhani W/o Mr. Iqbal Ali Lakhani		110
Mrs. Fatima Lakhani W/o Mr. Zulfiqar Ali Lakhani		110
Mrs. Saira Amin Lakhani W/o Mr. Amin Mohammed Lakhani		110
Mrs. Roohi Aftab W/o Mr. Aftab Ahmad		27,062
EXECUTIVES		NIL
PUBLIC SECTOR COMPANIES AND CORPORATIONS		2,357,636
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABA AND MUTUAL FUNDS		2,292,597
SHAREHOLDERS HOLDING 10% OR MORE VOTING INTEREST		
M/s. SIZA (Private) Limited		14,016,675
M/s. SIZA Services (Private) Limited		15,667,290
National Bank of Pakistan Trustee Deptt.		5,552,533

Form of proxy

I/We _____
of _____
a member of **CENTURY PAPER & BOARD MILLS LIMITED**
hereby appoint _____
of _____
or failing him _____
of _____
to act as my/our proxy and to vote for me/us and on my/our behalf at the Annual General Meeting of the Shareholders of the Company to be held on the 27th day of September 2008 and at any adjournment thereof.

Signed this _____ day of _____ 2008.

Folio No.	CDC Participant ID No.	CDC Account/ Sub-Account No.	No. of Shares Held

**Signature over
Revenue Stamp**

Witness 1

Signature _____

Name _____

CNIC No. _____

Address _____

Witness 2

Signature _____

Name _____

CNIC No. _____

Address _____

Notes:

1. The Proxy must be a member of the Company.
2. The signature must tally with the specimen signature/s registered with the Company.
3. If a proxy is granted by a member who has deposited his/her shares into Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID number and account/sub-account number alongwith attested photocopies of Computerized National Identity Card (CNIC) or the Passport of the beneficial owner. Representatives of corporate members should bring the usual documents required for such purpose.
4. The instrument of Proxy properly completed should be deposited at the Registered Office of the Company situated at Lakson Square, Building No. 2, Sarwar Shaheed Road, Karachi not less than 48 hours before the time of the meeting.

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AFFIX
CORRECT
POSTAGE

TO,
THE COMPANY SECRETARY
CENTURY PAPER & BOARD MILLS LIMITED
LAKSON SQUARE, BUILDING NO. 2,
SARWAR SHAHEED ROAD, KARACHI-74200.
PHONE: 5698000

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Century Paper & Board Mills Limited

Head Office & Registered Office,

Lakson Square Building No. 2, Sarwar Shaheed Road,
Karachi-74200, Pakistan.
Phones: 021-5698000 Fax: 021-5681163, 5683410

E-mail: info@centurypaper.com.pk
Website: www.centurypaper.com.pk

Lahore Office

41-K, Model Town, Lahore, Pakistan.
Phones: (042) 5886801-4 Fax: (042) 5830338

Mills

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