



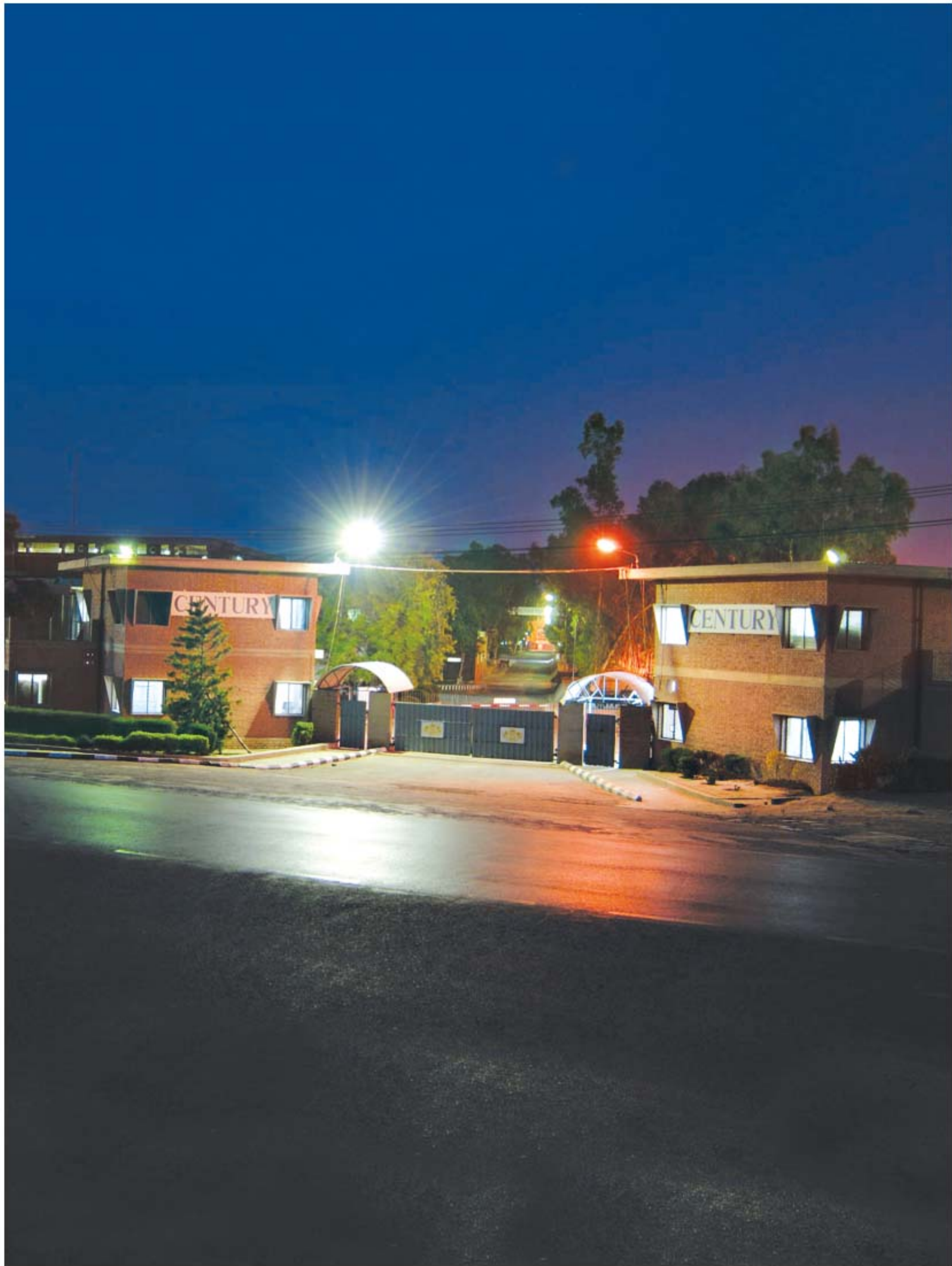
Annual Report 2009

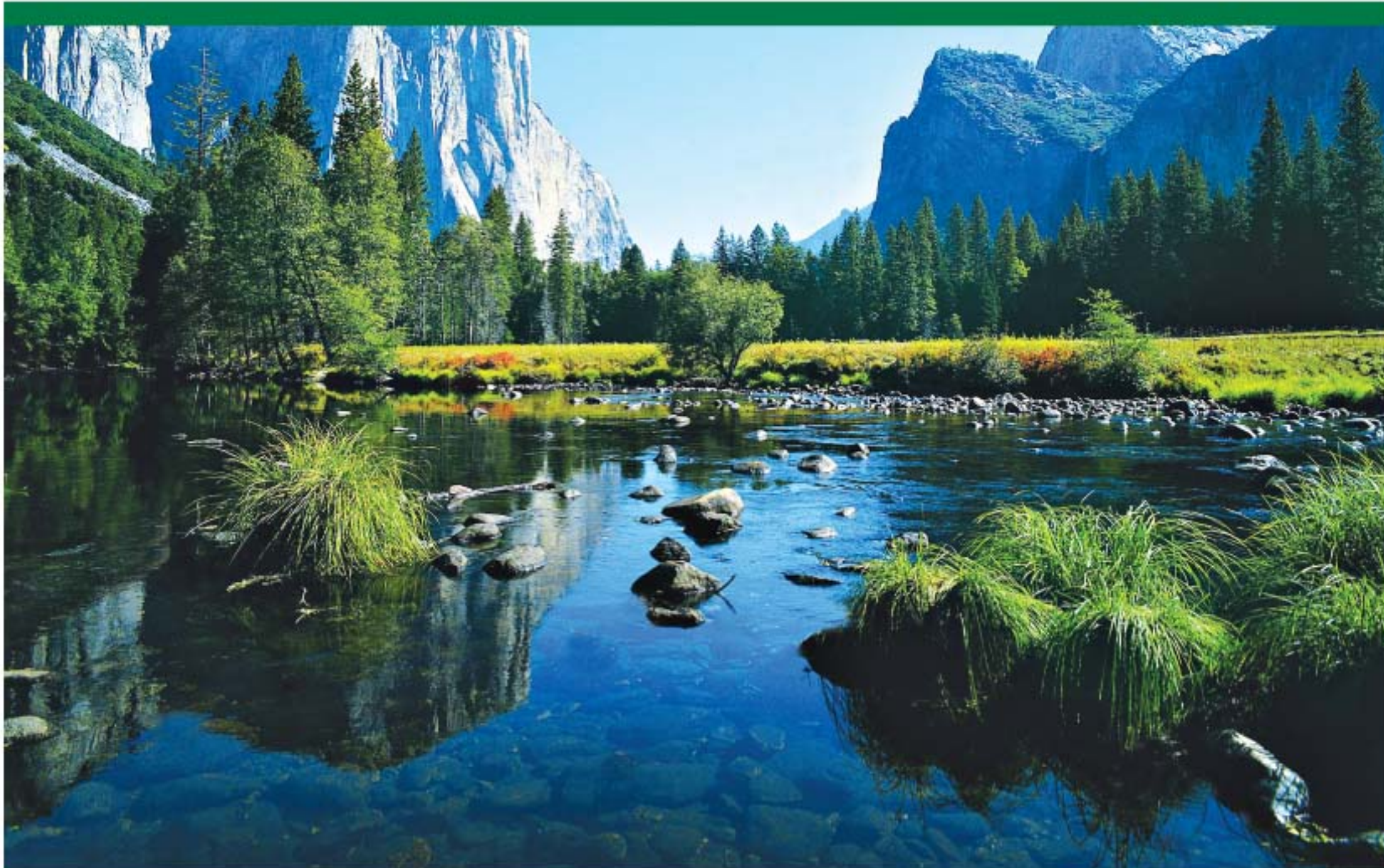
CENTURY
PAPER & BOARD MILLS LIMITED

CLEAN - GREEN - SUSTAINABLE



New State of the Art Coated Duplex Board Machine PM-VII Started its Commercial Production in August 2008





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

Phone:(042) 5886801-4 Fax : (042) 5830338

Mills

62 K.M, Lahore-Multan Highway, N-5, District Kasur, Pakistan.

Phones: (049) 4511464-5, (049) 4510061-2 Fax : (049) 4510063



Clean Green Sustainable

The Global Climate Change on our wonderful planet Earth is emerging as a major challenge to all the aspects of our society.

Just to survive, each one of us would be required to play an important role to save the natural resources as best as we can.

Subjects such as Environment Friendly Operation and Sustainability have gained importance to an extent that it is no more possible to operate successfully in any sphere without keeping them in our objectives.

We, at Century, are not lagging behind the mainstream, and henceforth all our activities shall be focused upon being:

CLEAN

GREEN

SUSTAINABLE

The future is for those who foresee it in the above perspective and all our successes and growth shall be associated with the above words.



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.



Corporate Information

Board of Directors

Iqbal Ali Lakhani (Chairman)
Zulfiqar Ali Lakhani
Amin Mohammed Lakhani
Tasleemuddin Ahmed Batlay
A. Aziz H. Ebrahim
Shahid Ahmed Khan
Kemal Shoaib
Nominee Director (NIT)

Advisor

Sultan Ali Lakhani

Chief Executive Officer

Aftab Ahmad
Email: aftabahmad@centurypaper.com.pk

Chief Financial Officer

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

Audit Committee

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

Executive Committee

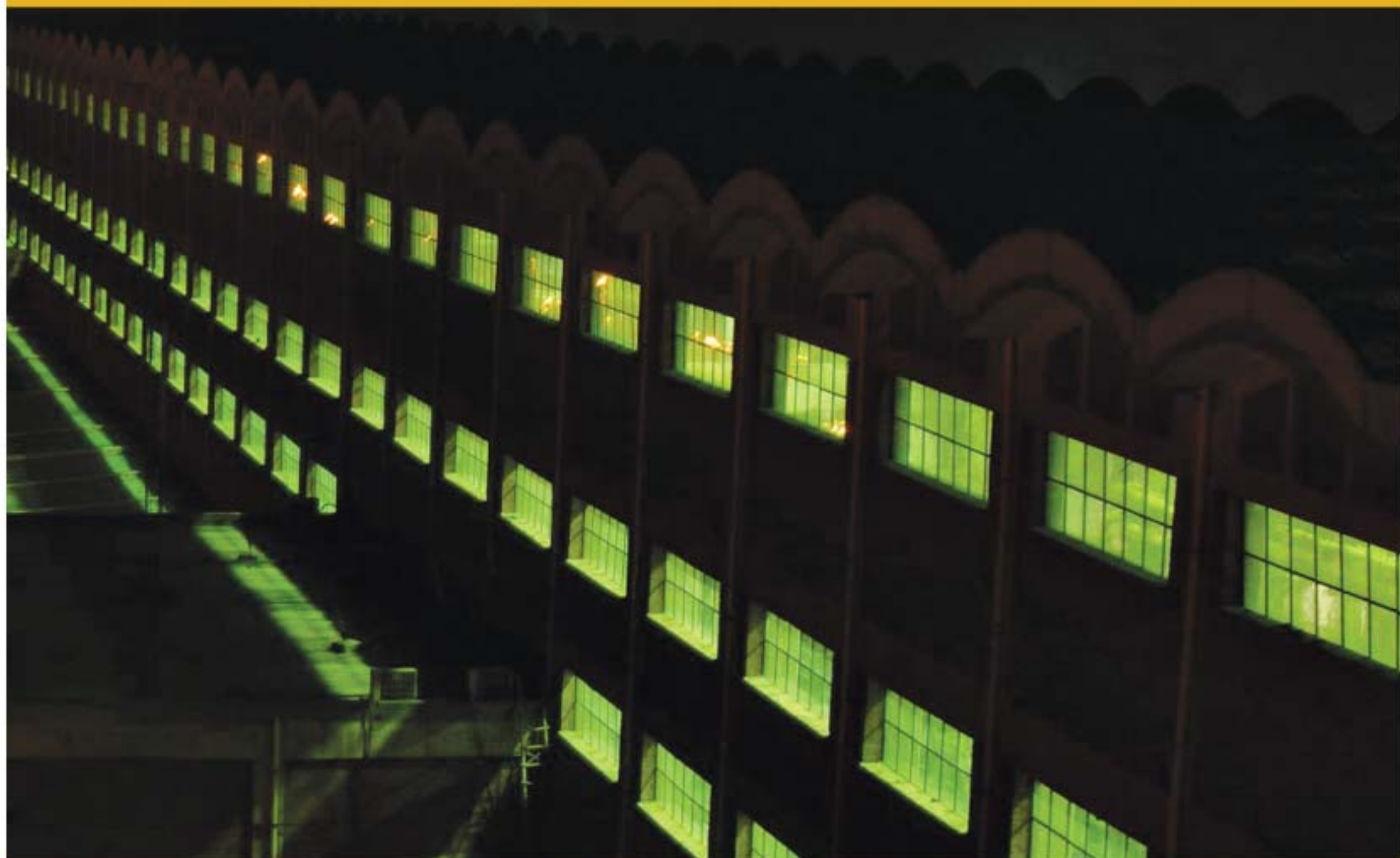
Iqbal Ali Lakhani (Chairman)
Aftab Ahmad (Chief Executive Officer)
Tanveer Ahmad Khalid
(General Manager Marketing)

Company Secretary

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

External Auditors

BDO Ebrahim & Co.
Chartered Accountants
2nd Floor, Block C, Lakson Square
Building No. 1, Sarwar Shaheed
Road, Karachi – 74200
Email: info@bdoebrahim.com.pk
Website: www.bdoebrahim.com.pk



Head Office & Registered Office

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Mills

62 KM, Lahore-Multan
Road (N-5), Jumber Khurd
District Kasur, Pakistan.
Phones: (049) 4511464-5,
(049) 4510061-2
Fax: (049) 4510063

Shares Registrar

FAMCO Associates (Private) Limited
State Life Building No. 1-A, Ground
Floor, I.I.Chundrigar Road, Karachi.
Website: www.famco.com.pk

Bankers

Allied Bank Limited
Citibank N. A.
Deutsche Bank AG
Faysal Bank Limited
Habib Bank Limited
HSBC Bank Middle East Limited
JS 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
United Bank Limited
Barclays Bank PLC



Core Values

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



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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.



Environmental and Safety Policy

Environmental Policy

At Century, 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

At Century, we are 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.

A Glorious Past – A Promising Future

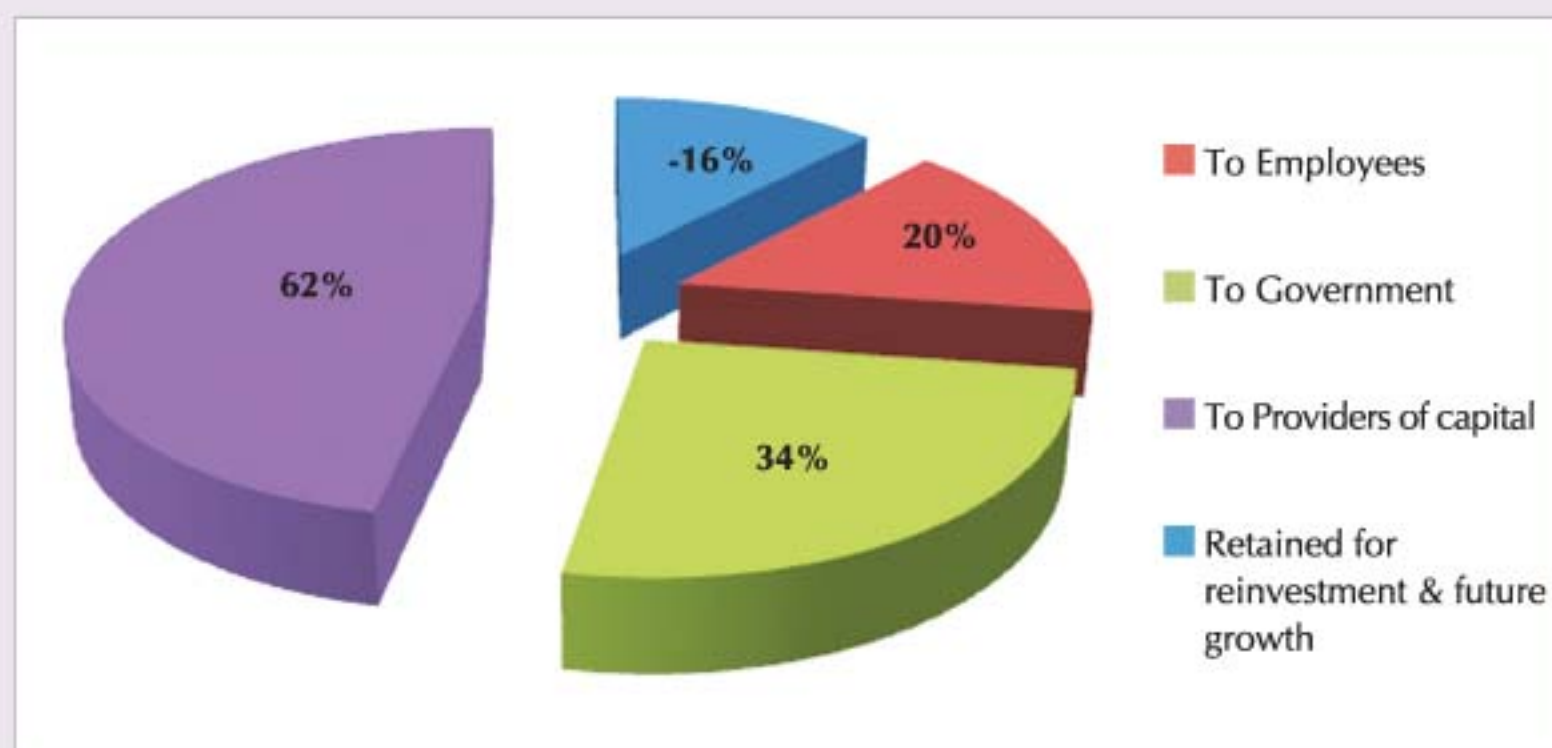
- 1990 The Company commenced commercial production with three machines having capacity of 30,000 tons per annum.
- 1995 Issued Right shares for expansion in production capacity.
- 1996 The Company crossed Rs. 1 Billion Revenue mark.
Started 12.3 MW captive Power Generation Plant as CPGL (a former subsidiary).
- 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 Plant 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 Rs. 4 Billion Revenue mark.
Oracle e-business suite (R-12) launched to automate business operations.
- 2008 The Company crossed Rs. 5 Billion Revenue mark.
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.
- 2009 The Company crossed Rs. 8 Billion Revenue mark.
New Coated Board Duplex Plant (PM VII), capable of producing 130,000 Metric tons per annum of quality packaging board, commenced commercial production.
All modules of Oracle based ERP system implemented.

Statement of Value Added

for the year ended June, 30 2009

	2009	%age	2008	%age
	Rupees in thousand			
Wealth Generated				
Total revenue	8,392,620		5,076,384	
Bought-in-material and services	(6,331,052)		(3,588,461)	
	<u>2,061,568</u>	100	<u>1,487,923</u>	100
Wealth Distributed				
To Employees				
Salaries, benefits and related costs	416,990	20	315,576	21
To Government				
Income tax , Sales Tax, Import Duty and Worker's welfare's fund*	704,899	34	765,764	51
To providers of Capital				
Financial Charges on borrowed funds	1,300,208	62	99,693	7
Retained for reinvestment & future growth				
Depreciation, amortisation & retained (loss) / profit	(360,529)	(16)	306,890	21
	<u>2,061,568</u>	100	<u>1,487,923</u>	100

*Includes Deferred Tax Reversal of Rs. 542.32 million



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.

Century Paper & Board Mills Limited

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 26th Annual General Meeting of Century Paper & Board Mills Limited will be held on Tuesday October 27, 2009 at 11:30 a.m. at Avari Towers Hotel , 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, 2009 with the Directors' and Auditors' reports thereon.
2. To appoint auditors and fix their remuneration.

By Order of the Board

Dated : September 15, 2009

(**MANSOOR AHMED**)
Company Secretary

NOTES:

1. The share transfer books of the Company will remain closed from October 21, 2009 to October 27, 2009 (both days inclusive). Transfers received by the Shares Registrar of the Company, M/s. FAMCO Associates (Private) Limited, State Life Building No. 1-A, 1st Floor, I.I. Chundrigar Road, Karachi upto October 20, 2009 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 instead of him/her.
4. Forms of proxy to be valid must be properly filled-in/executed and received at the Company's Registered Office situated at Lakson Square, Building No. 2, Sarwar Shaheed Road, Karachi 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.

Board of Directors



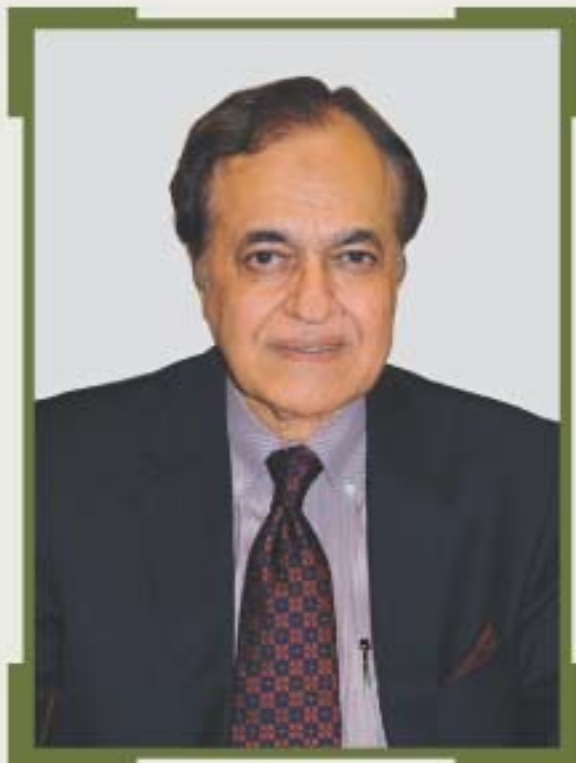
Iqbal Ali Lakhani
Chairman



Amin Mohammed Lakhani
Director



Zulfiqar Ali Lakhani
Director



Tasleemudin Ahmed Batlay
Director



Kemal Shoaib
Nominee Director (NIT)



Aftab Ahmad
Chief Executive Officer



Shahid Ahmed Khan
Director



A. Aziz H. Ebrahim
Director



Syed Ahmad Ashraf
Chief Financial Officer



Mansoor Ahmed
Company Secretary

Chairman's Message



The financial year 2008-09 was the year far beyond anybody's imagination.

The economist, financial analyst, accountants and businessmen all could not forecast the full extent of the looming economic crisis. Most businesses were hit hard by a chain of financial events and your company was no exception. The bottom line of your Company turned into red by the negative factors of the year under review.

Based on our progressive policies, we are optimistic of the future and with the experience gained from the worst situation of the year under review, we believe that the future holds good for those who pursue consistent well thought-out strategies.

I feel confident and assure you that your Company will soon emerge out of the crisis, as the company is run by highly competent and dedicated professionals. I am also grateful to the Board of Directors for their full support and able guidance.

The Company has entered the year 2009-10 with a firm belief, commitment and determination.

The customer preference in the high quality of the products of your company augurs well both for our existing domestic market and our newly emerging export potentials.

Although high financial cost, a sluggish economic recovery and gas outages could still be impacting factors. However, I believe that the financial results of your Company will show significant improvement in the year 2009-10 as compared to the preceeding year.



IQBAL ALI LAKHANI
CHAIRMAN



Directors' Report to the Shareholders

On behalf of the Board of Directors I am pleased to present the Annual Report of the Century Paper & Board Mills Limited (Century) along with the audited financial statements and Auditors' Report thereon, for the year ended June 30th, 2009.

MARKET

The year under review was a very unique year. The Global financial crisis followed by the world wide slow down in economies created many upheavals. One of its effects was the increased quantities of imported paper and board in the local market. Not only that the quantity of import of paper & board increased manifold, your Directors observed that the product so imported arrived at incredibly low prices. Under invoicing and/or dumping by the Far Eastern Countries being the apparent norms.

The Government also became aware of the above developments and subsequently imposed a regulatory duty on the imports of paper & board in an attempt to curb under invoicing. However this measure did not slow down the imports at rock bottom prices.



Due to the above scenario your Company was faced with unhealthy competition from foreign suppliers. To overcome this dumping practice your Company decided to file an application with the National Tariff Commission of Pakistan (NTC) for imposition of Anti Dumping Duty.

We are pleased to share that due to the facts brought to the notice of the concerned authorities, the NTC has accepted our application and formally initiated investigation to proceed further under WTO rules and regulations.

Your Directors are confident that the above measures will have a positive impact on the market and will provide a level playing field to the local paper and board industry. This measure is expected to result in increased demand of Company's products within the competitive price range.

Operations

Your Directors report with pleasure that the state of the art seventh paper machine (PM7) with a capacity of 130,000 metric ton of coated duplex board started commercial production during the month of August 2008. The products of PM7 with trademarks of Seven Star and Polo were welcomed by the end users of the market. It is hoped that in the coming period the market will fully absorb these products. With the additional capacity of PM7 the total available capacity of your Company now stands enhanced to **240,000** metric tons per annum depending on the various product mixes.

During the year the optimised operation of machines could not be achieved primarily due to frequent stoppages of supply of gas for more than two months. This was further exasperated with the limited availability of electricity from the utility company, economic crisis and prevailing law & order situation. The effect of such difficulties also forced the end users to cut their orders drastically.

During the year the production was **142 thousand** metric tons as compared to last year production of 97 thousand metric tons. The capacity utilization for the year stood at 60%.

Sales

As explained in the foregoing the Company's products faced a stiff competition from the imported products available at surprising low rates in the market. However in spite of this and all other unfavourable factors the Company was able to sell 141 thousand metric tons of paper and board valued at Rs. 8,332 million as compared to last year sale of 94 thousand metric tons valued at Rs. 5,036 million.

Financials

Your Directors report that the year 2009 under review was not the year they had expected. All the negative factors and challenges were present to hamper the profitability of the Company. The energy crisis, the stoppages of gas, the slowdown in the economy, the imports of paper and board

at dumping prices and high interest rate put the Company under financial stress and turned its bottom line into the red.

The year under review recorded a net sale of Rs. 7,152 million as compared to Rs. 4,361 million for the year 2008. Gross loss for the period under review stood at Rs. 74 million as against the gross profit of Rs. 318 million for the year 2008. The operating loss for the year stood at Rs. 294 million as compared to profit of Rs. 137 million of the year 2008. The year's loss after taxation has been reported at Rs. 1,054 million as compared to a profit after taxation of Rs. 28 million for the year 2008.

The summary of the operating results of the Company for the year under review along-with the comparatives for the last year are as under:



	Rupees in Million	
	2009	2008
Sales - Net	7,152	4,361
Cost of Sales	(7,226)	(4,043)
Gross (loss) / Profit	(74)	318
Admin , Selling and other Exp.	(281)	(222)
Other Income	61	40
Operating (loss) / profit	(294)	137
Financial charges	(1,300)	(100)
Net (loss) / profit before Tax	(1,595)	37
Taxation	540	(9)
Net (loss) / profit after Tax	(1,054)	28
Sales Volumes (Metric Tons)	140,500	94,200



Earnings per Share

The Company posted a loss per share of Rs. 14.91 as compared to earnings per share of Rs. 0.40 for the last year.

Appropriations

Due to the loss incurred by the Company coupled with the negative cash flows the Directors are not recommending any dividend or issue of Bonus Shares.

Market Capitalization

The market capitalization of your Company during the year fluctuated with the capital market. The peak during the year was touched Rs.49.88 at Rs. 3,525.69 million and the low was on Rs. 12.52 at Rs. 884.96 million At the close of the year, the market capitalization was Rs. 932.31 million, with a market value of Rs. 13.19 and break-up value of Rs. 26.58 per share.

Capital Investment

The Company capitalized the cost incurred on the PM7 during the year amounting to Rs. 6.88 billion. This capital expenditure has added 130,000 metric ton annually to the capacity of the Company. The product of PM7 will substitute

the imported products thus saving the valuable foreign exchange for the country.

The Company is in process of adding another fully integrated Corrugation Box Line with a capacity of 24,000 metric tons per annum. The Capital outlay for this project is estimated at **Rs.300 million** and this Box Line will be operational in the first half of the 2010 fiscal year.

In addition to above to improve the strength of the duplex board a Bagasse De-pithing Plant at a cost of Rs. 27 million was installed during the year and will become operational during the first quarter of the following financial year.

Contribution to the National Exchequer

Your Company's contribution to the National Exchequer amounted to Rs. 1,316 million as compared to Rs. 777 million of last year. This includes Rs. 81 million (2008: Rs. 27 million) as Income Tax, Rs. 1,110 million (2008: Rs. 632 million) as Sales Tax, Rs. 49 million (2008: Rs. 71 million) as Custom and Excise duty.

Corporate Affairs

A) Election of Directors

During the year the Board completed its three year terms and seven new directors (including the NIT nominee) were elected by the shareholders in the EOGM held on 30th June 2009.

Board welcome new directors, Mr. Shahid Ahmed Khan and Mr. Kemal Shoaib (Nominee Director-NIT) and place on record services of the outgoing director, Mr. Shabahat Hussain (Nominee Director – NIT), during his tenor of three years.

B) Board Meetings

Six Meetings of the Board of Directors were held during the year ended 30th June 2009. Attendance by each Director was as under:

Name of Director	Meetings Attended
Mr. Iqbal Ali Lakhani	Five
Mr. Zulfiqar Ali Lakhani	Four
Mr. Amin Mohammed Lakhani	Four
Mr. Tasleemuddin A. Batlay	Four
Mr. A. Aziz H. Ebrahim*	Five
Mr. Aftab Ahmad	Six
Mr. Syed Shabahat Hussain	Five
Mr. Zafar Iqbal Sobani**	One

* Five Meetings were held during the tenor.

** One Meeting was held during the tenor.

C) Preference Share Issue

The Directors are thankful to the shareholders and SECP for granting the permission for the issuance of Preference share. The formalities in this regards are now completed. At the time of writing of this report the letters of right have been dispatched and subscription period is open for 45 days from September 08, 2009 to October 23, 2009. The preference shares after completing all the formalities are expected to be

issued in November 2009.



Corporate and Financial Reporting

Your Company is committed to good corporate governance. The Board acknowledges its responsibility in respect of the Corporate and Financial Reporting Framework.

The Financial Statements together with the notes thereto have been drawn up by the management in conformity with the Companies Ordinance, 1984. International Financial Reporting Standards wherever applicable have been followed in the preparation of these financial statements.

These statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.

Proper books of accounts have been maintained by the Company. Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.

The system of internal control is sound in design and has been effectively implemented and monitored.

There are no significant doubts upon the Company's ability to continue as a going concern.

There has been no material departure from the best practices of Code of Corporate Governance, as detailed in the listing regulations.

Compliance with the Code of Corporate Governance

The Company's Statement of Compliance with the Code of Corporate Governance is annexed with the report.

Pattern of Shareholding

Pattern of Shareholding of the Company as at 30th June 2009 , along with the necessary information is attached to this report.

There were 1,439 shareholders on the record of the Company as at 30th June 2009.

Provident and Gratuity Funds

The funded retirement benefits i.e. the provident and gratuity funds of the employees of the Company are maintained by the Trustees and are audited at regular intervals. The values of the investments of the two funds as reported by the Trustees, as per the last audited accounts were as follows:

(Rupees in millions)

Provident Fund	171.13
Gratuity Fund	50.12

Auditors

The Auditors BDO Ebrahim & Company are the retiring auditors of the Company and offer themselves for re-appointment. They have confirmed that they 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 the International Federation of Accountants (IFAC) guidelines on code of ethics, as adopted by the ICAP.

The Board Audit Committee and the Board of Directors recommend their re-appointment by the shareholders at the



ensuing Annual General Meeting, as auditors of the Company for the year ending 30th June 2010.

Audit Committee

The Board has set up an audit committee comprising three non-executive Directors in accordance with the Code of Corporate Governance. The committee meets at least once every quarter to review the accounts and major judgmental areas prior to their presentation to the Board.

The terms of reference of the Audit Committee are those as specified in the Code of Corporate Governance. In addition the Audit Committee is free to ask for any information and explanation in order to satisfy it regarding the financial statements and internal controls.

Corporate Social Responsibility

Your Directors are firm believers of the Corporate Social Responsibility (CSR) and are committed to the cause of protecting the social, environmental and ethical conduct.

The Company is developing its CSR policies and have plans to discharge its social responsibility in monetary terms when the circumstances so permit.

Safety Health Environment And Quality (SHEQ)

A) Safety, Health Environment (SHE)

Your Company is constantly striving to promote a "Quality, Environment & Safety Conscious Culture". The 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 recycling paper and is free of chemical pulping. These two factors will have positive effects towards the better environment.

B) Environmental Management System (EMS)

Your Company has adopted ISO 14001 standards and implemented the Environmental Management Systems (EMS). An international certification body AFNOR is also helping Company to manage all of its activities to ensure compliance with the Environmental Policy.

C) Quality Management System (QMS)

Consistent quality day after day is the prime objective of your Company. In this regard ISO 9001:2000 system is providing guidance to control the quality of the product according to the international standards. The Company is able to improve processes and increase productivity under the umbrella of this system. To further embark upon the quality and improvement, the Company is adopting the PDCA cycle and is converting its system according to new version of ISO 9001:2008.

D) Occupational Health and Safety Assessment Series (OHSAS)

Your Company's commitment to OHS is firm. It has implemented the standards 18001:2007 OHSAS in the organization and is making objective based efforts to eliminate unsafe and unhealthy work conditions. Hazards identification and Risk assessment are being performed, reviewed and all necessary preventive measures are taken to minimize the accidents.

Emergency preparedness and response procedures and plan are established to deal with the accidents and emergency exercises are periodically carried out 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.

Steps are being undertaken to impart comprehensive training to employees in the area of OH&S. The "Communication Participation & Consultation Program" is in progress in order to create Safety Awareness.

Enterprise Resource Planning (ERP)

As was reported last year your Company started implementation of the ERP system of the Oracle Corporation. The purpose of the system is to have timely, transparent and true information for strategic decisions. The test run of the system was completed during the year and now it is in its final stages of functioning.

Human Resource

Our belief is that it's the employees who are vital to an organization's success. People; if they know and trust each other work together in a better way. At the end of the day it's all about good human resources that make the heart of the Company.

Our ultimate goal is to acquire and cultivate the individuals and shape them in an organized infrastructure to transform their creativities and professional excellences to achieve collective goals. We have nourished an organizational culture which provides an opportunity to everyone to learn and express their creative skills and professional expertise in free and open manner. We believe in equality and encourage our employees to excel in their individual careers based upon their professional merit.

We are committed to peaceful working environment for our people that foster innovation and a culture of mutual respect and honour. Our employees are provided with numerous learning and development opportunities to fulfil 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 participation in seminars and training domestic and abroad.



We demonstrate that we value our employees through several recognition programmes like service awards, Sports achievement awards and recognitions based upon performance and service.

Employee Relations

The relationship between the management and employees is exemplary for the last many years. The Directors are pleased to record their appreciation for the hard work and devotion to duty by all cadres of employees.

Outlook for the Year 2010

Your Directors feel that the worst is over and the local market will start to improve in the following year. It is hoped that suggested imposition of the anti-dumping duty will provide the level playing field to domestic manufacturers at par with international producers. The stabilizing in the value of rupee, expected drop in the interest rates and the available increased capacity are the factors that will Inshallah make the company

post decent results with a positive bottom line for the year ending 2010.

Acknowledgement

The Directors fully acknowledges the dedication and commitment of employees in all cadres and would like to thank them for their contribution in the progress of the Company.

The Directors are also thankful to all the stakeholders especially the financial institutions for their continued support of the Company.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Aftab Ahmad'.

Aftab Ahmad
Chief Executive Officer



Ten Years At A Glance

2009 2008 2007 2006

Historical Trends

Trading results

Sales - Gross	8,332	5,036	4,415	3,844
Sales - Net	7,152	4,361	3,844	3,353
Gross (Loss) / Profit	(74)	318	306	459
Operating (Loss) / Profit	(294)	137	214	386
(Loss) / Profit before tax	(1,595)	37	124	308
(Loss) / Profit after tax	(1,054)	28	83	204

Dividend

Cash dividend	%	-	-	-	-
Stock dividend	%	-	-	10	-
Dividend per share	Rs.	-	-	-	-
Dividend payout ratio	%	-	-	-	-

Financial position

Total capital employed	11,219	11,135	8,811	3,958
Property, plant and equipment	10,454	10,855	8,590	3,377
Paid-up capital	707	707	643	643
Reserves	1,172	2,226	2,262	2,178
Shareholders' equity	1,878	2,933	2,904	2,821
Subordinated loan	1,650	1,650	-	-
Long-term and deferred liabilities	7,691	6,552	5,906	1,137

Others

Employees - Nos. (at year end)	1,520	1,609	1,239	1,076
Contribution to exchequer	1,316	777	851	634
Capital expenditure	568	2,593	5,211	1,489

Key Indicators

Operating

Gross (Loss) / Profit	%	(1)	7	8	14
Operating (Loss) / Profit	%	(4)	3	6	12
(Loss) / Profit before tax	%	(22)	1	3	9
(Loss) / Profit after tax	%	(15)	1	2	6

Performance

Return on assets (excl. CWIP)	%	(8)	1	2	6
Total assets turnover (excl. CWIP)		0.53 :1	0.68 :1	1.15 :1	0.97 :1
Interest coverage ratio		(0.23)	1.37	2.38	4.95
Inventory turnover ratio		5.06 :1	4.14 :1	8.03 :1	7.62 :1
Collection period	Days	20	25	21	19
Return on equity	%	(56)	1	3	7
Return on capital employed	%	(3)	1	2	10

Leverage

Leverage ratio		2.90 :1	1.92 :1	2.32 :1	0.57 :1
Debt:equity ratio		69:31	57:43	65:35	22:78
Current ratio		1.02 :1	1.01 :1	1.00 :1	1.30 :1
Quick ratio		0.30 :1	0.17 :1	0.29 :1	0.50 :1

Valuation

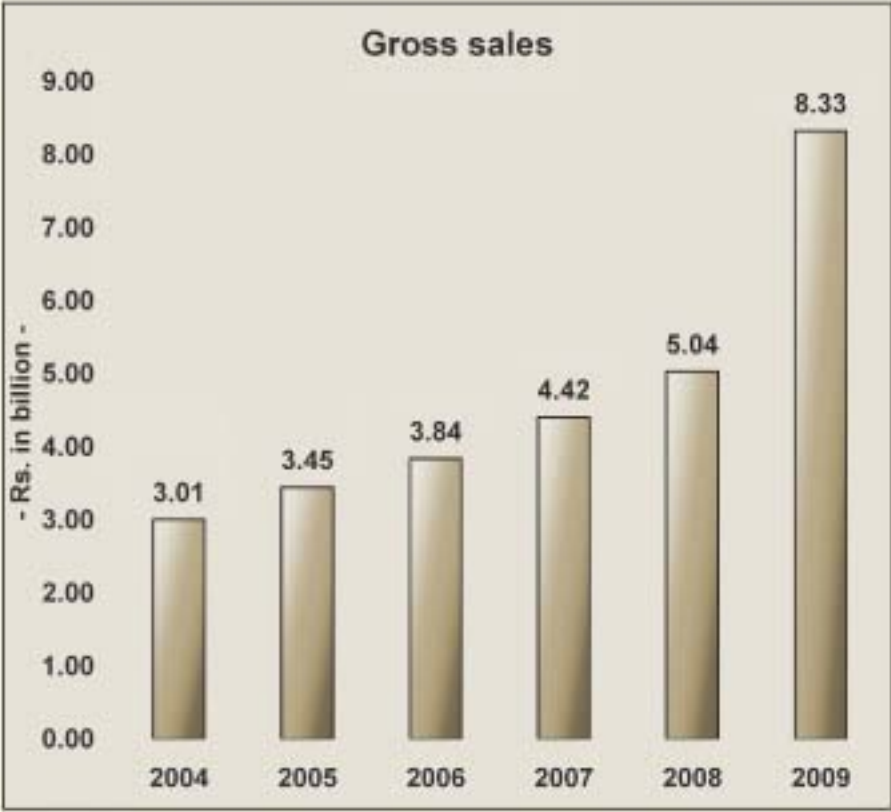
Earnings per share (pre tax)	Rs.	(22.56)	0.51	1.93	7.22
Earnings per share (after tax)	Rs.	(14.91)	0.40	1.30	4.77
Breakup value per share	Rs.	26.58	41.49	45.20	43.90
Market value per share	Rs.	13.19	49.60	62.55	47.80
Price earning ratio		(0.88)	124.00	48.12	10.02

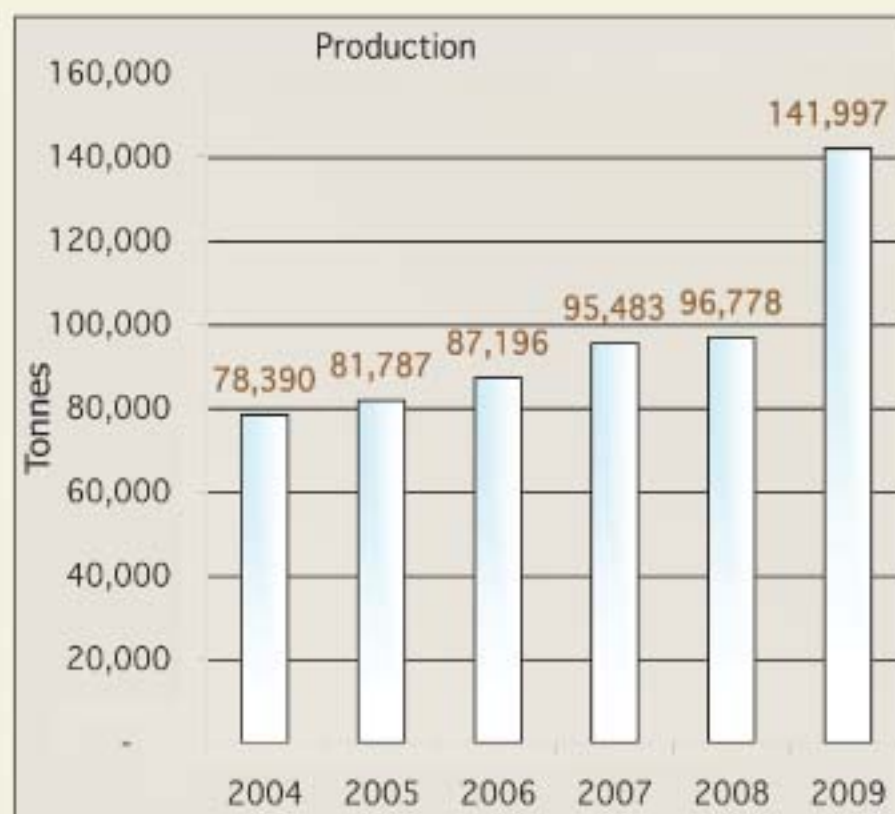
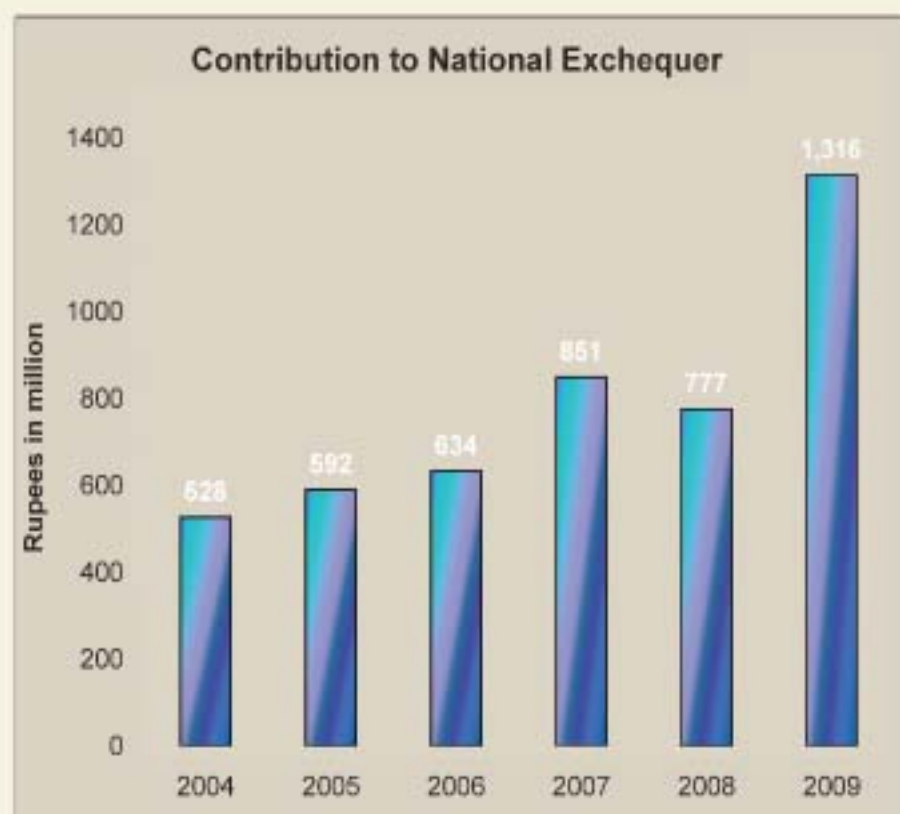
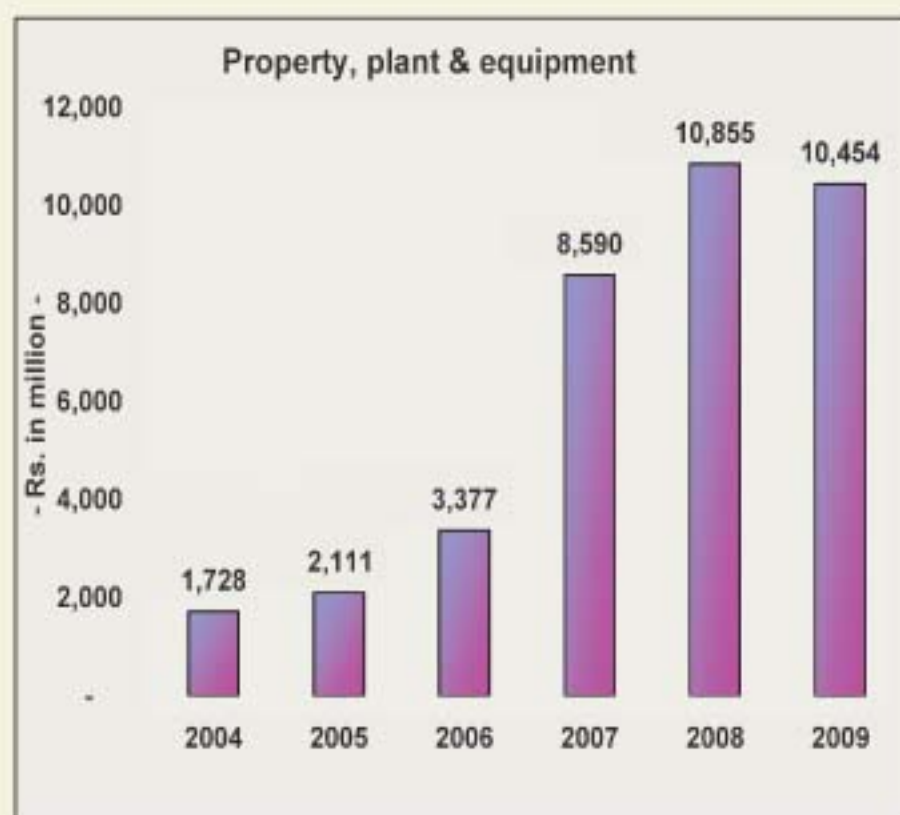
Note: Figures restated based on share issued on merger Year 2000 to 2003 does not reflect merger effect.

- Rupees In Million -

2005	2004	2003	2002	2001	2000
3,453	3,013	2,659	2,635	2,466	2,006
3,010	2,620	2,309	2,290	2,143	1,743
492	474	470	450	350	226
398	390	417	374	295	181
376	367	406	339	241	151
237	265	271	216	145	95
45	45	45	40	25	20
-	-	-	-	-	-
4.50	4.50	4.50	4.00	2.50	2.00
61	53	52	58	54	66
2,420	2,103	1,799	1,272	1,198	993
2,111	1,728	1,420	1,053	837	744
321	314	314	314	314	314
1,155	1,069	781	628	514	464
1,477	1,383	1,095	942	828	778
-	-	-	-	-	-
944	720	704	330	370	215
953	974	914	902	889	874
592	528	618	567	515	431
591	353	479	325	171	87
16	18	20	20	16	13
13	15	18	16	14	10
13	14	18	15	11	9
8	10	12	9	7	5
10	12	14	16	11	7
1.26 :1	1.20 :1	1.21 :1	1.67 :1	1.57 :1	1.31 :1
18.10	17.12	14.10	10.68	5.46	3.74
8.43 :1	8.97 :1	8.90 :1	10.00 :1	10.03 :1	7.49 :1
17	14	16	15	14	13
16	19	25	23	18	12
16	19	23	17	12	10
0.93 :1	0.71 :1	0.85 :1	0.73 :1	0.69 :1	0.75 :1
31:69	26:74	39:61	26:74	31:69	22:78
1.30 :1	1.52 :1	1.68 :1	1.19 :1	1.7 :1	1.25 :1
0.38 :1	0.46 :1	0.41 :1	0.34 :1	0.62 :1	0.38 :1
9.64	9.40	10.39	8.69	7.50	4.70
6.08	6.78	6.93	5.52	4.50	2.97
45.96	43.04	34.08	29.32	25.78	24.22
82.95	94.00	62.70	31.80	14.75	12.40
13.64	13.86	9.05	5.76	3.28	4.18

Graphical Presentation





Statement of Compliance With the Code of Corporate Governance

1. The Board comprises of seven directors elected by the shareholders including one Director as the representative of the National Investment Trust Limited (NIT). Further the Chief Executive Officer (CEO) is also a deemed Director of the Board by virtue of his office. The majority of the Directors are non-executives Directors.
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 Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, DFI and NBFIs or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. During the year the shareholders elected seven Directors to the Board for the tenure of three years. One casual vacancy occurred on the Board during the year which was promptly filled in.
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. The policy/s of the Company are updated and amended as and when required.
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 Director 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 meeting, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated in time.
9. The Board arranged an orientation course for its Directors and executives during the year to apprise them of their duties and responsibilities.
10. The Board approves the appointment of CFO, Company Secretary, and Head of Internal Audit as and when so required, the terms and conditions of employment are also approved by the Board on the recommendation of the CEO.

-
11. The Directors' report for the 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 the approval of the Board.
 13. The director, 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 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 set up an effective internal audit function.
 18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program 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.


AFTAB AHMAD
Chief Executive Officer



BDO Ebrahim & Co.,
Chartered Accountants

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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 & BOARD MILLS LIMITED** to comply with the Listing Regulation No.37 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited and Chapter XI 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-regulation (xiii) of Listing Regulation 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide Circular KSE/-269 dated January 19, 2009 and Chapter XI of the Lahore Stock Exchange (Guarantee) Limited require the company to place before the board of directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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, 2009.

KARACHI
DATED: September 15, 2009


CHARTERED ACCOUNTANTS
Engagement Partner : Qasim E. Causer



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BDO Ebrahim & Co.,
Chartered Accountants

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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, 2009 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, 2009 and of the loss, 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: September 15, 2009


CHARTERED ACCOUNTANTS
Engagement Partner : Qasim E. Causer



Balance Sheet

As At June 30, 2009

	Note	2009 (Rupees in thousands)	2008
ASSETS			
NON CURRENT ASSETS			
Property plant and equipment			
Operating fixed assets	5	10,157,985	3,849,316
Capital work in progress	6	296,362	7,006,182
		10,454,347	10,855,498
Intangible assets	7	49,664	25,649
Long-term loans and advances	8	4,164	5,554
Long-term deposits	9	2,805	2,820
Deferred taxation	10	190,106	-
		10,701,086	10,889,521
CURRENT ASSETS			
Stores and spares	11	610,337	362,055
Stock-in-trade	12	1,357,453	1,496,478
Trade debts	13	504,129	413,171
Loans and advances	14	62,516	18,730
Trade deposits and short term prepayments	15	20,626	19,335
Other receivables	16	4,001	33,755
Tax refunds due from Government	17	31,337	150,375
Taxation - net	18	78,807	2,643
Cash and bank balances	19	406,851	16,474
		3,076,057	2,513,016
TOTAL ASSETS		13,777,143	13,402,537
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
100,000,000 (2008: 100,000,000) ordinary shares of Rs. 10 each		1,000,000	1,000,000
310,000,000 (2008: nil) preference shares of Rs. 10 each		3,100,000	-
		4,100,000	1,000,000
Issued, subscribed and paid-up capital	20	706,834	706,834
Reserves	21	1,171,644	2,225,788
		1,878,478	2,932,622
NON CURRENT LIABILITIES			
Subordinated loan	22	1,650,000	1,650,000
Long-term financing	23	7,245,000	5,971,428
Deferred taxation	10	-	352,214
Retention money payable	24	-	18,913
		8,895,000	7,992,555
CURRENT LIABILITIES			
Trade and other payables	25	870,910	577,928
Financial charges payable	26	594,870	196,508
Short-term borrowings	27	1,091,456	1,434,021
Retention money payable	24	-	59,379
Current portion of long-term financing	23	446,429	209,524
		3,003,665	2,477,360
CONTINGENCIES AND COMMITMENTS	28		
TOTAL EQUITY AND LIABILITIES		13,777,143	13,402,537

The annexed notes from 1 to 50 form an integral part of these financial statements.


IQBAL ALI LAKHANI
 Chairman


AFTAB AHMAD
 Chief Executive Officer

Profit and Loss Account


For the Year Ended June 30, 2009

	Note	2009 (Rupees in thousands)	2008
Sales - net	29	7,152,092	4,361,016
Cost of sales	30	<u>(7,226,388)</u>	<u>(4,042,689)</u>
Gross (loss) / profit		(74,296)	318,327
General and administrative expenses	31	(148,468)	(120,658)
Selling and distribution expenses	32	(58,067)	(40,756)
Other operating charges	33	(74,452)	(60,290)
Other operating income	34	<u>60,882</u>	<u>40,123</u>
Operating (loss) / profit		(294,401)	136,746
Financial charges	35	<u>(1,300,208)</u>	<u>(99,693)</u>
(Loss) / profit before taxation		(1,594,609)	37,053
Taxation	36	<u>540,465</u>	<u>(8,902)</u>
(Loss) / profit after taxation		<u>(1,054,144)</u>	<u>28,151</u>
(Loss) / earnings per share - basic and diluted (Rupees)	37	<u>(14.91)</u>	<u>0.40</u>

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

The annexed notes from 1 to 50 form an integral part of these financial statements.


IQBAL ALI LAKHANI
 Chairman


AFTAB AHMAD
 Chief Executive Officer


Cash Flow Statement

For the Year Ended June 30, 2009

	Note	2009 (Rupees in thousands)	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	40	612,700	(746,826)
Financial charges paid		(729,890)	(81,610)
Taxes paid		(78,018)	(26,879)
Gratuity paid		(16,801)	(4,383)
Long-term loans and advances - net		1,390	(5,100)
Long-term deposits - net		15	149
Net cash used in operating activities		(210,604)	(864,649)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(568,869)	(2,592,716)
Profit received on investment and bank deposit accounts		71	27
Proceeds from sale of operating fixed assets		1,867	1,433
Net cash used in investing activities		(566,931)	(2,591,256)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term financing from banking companies		-	5,500,000
Repayment of long-term financing from banking companies		(209,523)	(3,559,524)
Proceeds from long-term directors' loan		1,200,000	-
Proceeds from long-term sponsor's loan		520,000	450,000
Proceeds from long-term sponsor's subordinated loan		-	75,000
Repayment of loan from director		-	(150,000)
Net cash generated from financing activities		1,510,477	2,315,476
Net increase / (decrease) in cash and cash equivalents		732,942	(1,140,429)
Cash and cash equivalents at the beginning of the year		(1,417,547)	(277,118)
Cash and cash equivalents at the end of the year		(684,605)	(1,417,547)
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances	19	406,851	16,474
Short-term borrowings	27	(1,091,456)	(1,434,021)
		(684,605)	(1,417,547)

The annexed notes from 1 to 50 form an integral part of these financial statements.


IQBAL ALI LAKHANI
 Chairman


AFTAB AHMAD
 Chief Executive Officer

Statement of Changes in Equity

For the Year Ended June 30, 2009

	Issued, subscribed and paid-up capital	Capital reserves				Revenue reserves			Sub Total	Total
		Share premium	Reserve for issue of bonus shares	Merger reserve	Total	General reserve	Unappropriated profit	Total		
(Rupees in thousands)										
Balance as at July 1, 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
Transfer to general reserve	-	-	-	-	-	28,000	(28,000)	-	-	-
Net loss for the year	-	-	-	-	-	-	(1,054,144)	(1,054,144)	(1,054,144)	(1,054,144)
Balance as at June 30, 2009	706,834	984,652	-	7,925	992,577	1,232,750	(1,053,683)	179,067	1,171,644	1,878,478

The annexed notes from 1 to 50 form an integral part of these financial statements.


IQBAL ALI LAKHANI
 Chairman


AFTAB AHMAD
 Chief Executive Officer

Notes to the Financial Statements

For the Year Ended June 30, 2009

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 commercial operations on new coated board machine (here-in-after-referred to as "Expansion Project") commenced on August 01, 2008. This resulted in the capacity increase of 130,000 metric tons per annum bringing total capacity to 240,000 metric tons per annum of different product mix.

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 HAVE BEEN OR ARE NOT YET EFFECTIVE:

3.1 Standards, interpretations and amendments that have been effective during the year

- IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 – Financial Instruments: Disclosure and Presentation. The application of the standard did not have significant impact on the Company's financial statements other than increase in disclosures.
- IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The Company does not have any operations in Hyperinflationary Economies and, therefore, the application of the standard did not affect the Company's financial statements.

Notes to the Financial Statements

For the Year Ended June 30, 2009

- IFRIC 13 – Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 did not affect the Company's financial statements.
- IFRIC 14 – IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008) clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements for such assets.

3.2 Standards, interpretations and amendments to the published approved accounting standards that are relevant but not yet effective

The following standards, interpretations and amendments to approved accounting standards, effective for accounting periods beginning as mentioned there against are either not relevant to the Company's current operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

Revised IAS 1 - Presentation of Financial Statements	(effective 1 January 2009)
Revised IAS 23 - Borrowing Costs	(effective 1 January 2009)
Amended IAS 27 - Consolidated and Separate Financial Statements	(effective 1 July 2009)
Amendments to IAS 32 - Financial Instruments	(effective 1 January 2009)
Amendments to IAS 39 - Financial Instruments: Recognition	(effective 1 July 2009)
Amendment to IFRS 2 - Share-based Payment	(effective 1 January 2009)
Revised IFRS 3 - Business Combinations	(effective 1 July 2009)
IFRS 8 - Operating Segments	(effective 1 January 2009)
IFRIC 15 - Agreement for the Construction of Real Estate	(effective 1 January 2009)
IFRIC 16 - Hedge of Net Investment in a Foreign Operation	(effective 1 October 2008)
IFRIC 17 - Distribution of Non-Cash Assets to Owners	(effective 1 July 2009)

The IASB's annual improvements project published in May 2008, contains a number of amendments which would generally be applicable for financial periods beginning on or after January 1, 2009. These amendments extend to 35 standards and include changes in terminology and accounting requirements.

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,

Notes to the Financial Statements

For the Year Ended June 30, 2009

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.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipments.

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

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. Impairment losses are recognized as expense in profit and loss account.

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.

Notes to the Financial Statements

For the Year Ended June 30, 2009

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.

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

Notes to the Financial Statements

For the Year Ended June 30, 2009

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.

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 estimate.

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, 2009

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, 2009 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. The Company recognises expense in accordance with IAS 19 "Employee Benefits".

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 of goods are recorded when the risks and rewards are transferred, that is, 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, 2009

4.23 Related party transactions

Transactions with related parties are 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) 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.

d) 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, 2009

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	Electrical and other equipments	Computers	Total
	(Rupees in thousands)								
Net carrying value basis									
year ended June 30, 2009									
Opening net book value (NBV)	271,942	342,709	233	3,166,753	6,924	37,687	2,113	20,955	3,849,316
Additions (at cost)	-	1,039,453	-	5,930,741	5,294	7,967	11,191	12,430	7,007,076
Disposals (NBV)	-	-	-	-	-	(2,128)	(10)	-	(2,138)
Depreciation charge	-	(38,106)	(233)	(636,116)	(951)	(7,431)	(4,049)	(9,338)	(696,224)
Impairment charge	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	(5,033)	-	4,963	70	-
Adjustment	-	-	-	-	-	-	-	(45)	(45)
Closing net book value (Refer note 5.2)	271,942	1,344,056	-	8,461,378	6,234	36,095	14,208	24,072	10,157,985
Gross carrying value basis									
year ended June 30, 2009									
Cost	271,942	1,469,097	6,995	10,998,209	14,464	59,077	26,661	55,825	12,902,270
Accumulated depreciation / Impairment	-	(125,041)	(6,995)	(2,536,831)	(8,230)	(22,982)	(12,453)	(31,753)	(2,744,285)
Net book value	271,942	1,344,056	-	8,461,378	6,234	36,095	14,208	24,072	10,157,985
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
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, 2009 is Rs. 751 million and written down value is Rs. 2.43 million (2008: Rs. 651.59 million and written down value is Nil).
- 5.3 The carrying value of assets which are impaired is Rs.0.47 million (2008: Rs. 1.02 million).
- 5.4 Included in plant and machinery are some items with a cost of Rs. 16.87 million (written down value Rs. 4.22 million) [2008: Rs. 16.87 million (written down value Rs. 6.05 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, 2009

	Note	2 0 0 9 (Rupees in thousands)	2 0 0 8 (Rupees in thousands)
5.5	The depreciation charge for the year has been allocated as follows:		
Cost of sales	30	673,236	263,743
General and administrative expenses	31	19,107	14,029
Selling and distribution expenses	32	213	55
Capital work in progress : Trial production expenses	6.2	3,273	8,609
Other directly attributable costs		395	2,355
		<u>696,224</u>	<u>288,791</u>

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

Description	Cost	Accumulated depreciation	Net Book value	Sale proceeds	Mode of disposal	Particulars of buyers
	(Rupees in thousands)					
Vehicle						
Toyota Corrola	1,309	433	876	429	Sale (Negotiation)	Mr.Zafar Iqbal Sobani
Suzuki Alto	469	328	141	129	Sale (Employee)	Mr.Asif Ayub
Suzuki Alto	469	328	141	139	Sale (Employee)	Mr. Muhammad Arshad Mehmood
Suzuki Mehran	429	40	389	409	Stolen (Insurance Claim)	Century Insurance Company Limited
Suzuki Mehran	365	119	246	300	Sale (Negotiation)	Mrs. Hijab Haseeb Naushahi
Suzuki Mehran	351	246	105	115	Sale (Employee)	Angela Saleem
Suzuki Mehran	351	246	105	115	Sale (Employee)	Mr. Asif Jah
Motor Cycle	61	11	50	48	Stolen (Insurance Claim)	Century Insurance Company Limited
Items having book value upto Rs. fifty thousand	609	534	75	172	Various	
	<u>4,413</u>	<u>2,285</u>	<u>2,128</u>	<u>1,856</u>		
Electrical and other equipment						
Items having book value upto Rs. fifty thousand	297	287	10	11	Various	
Computers						
Items having book value upto Rs. fifty thousand	310	310	-	-	Various	
Total - 2009	<u>5,020</u>	<u>2,882</u>	<u>2,138</u>	<u>1,867</u>		
Total - 2008	<u>28,592</u>	<u>27,638</u>	<u>954</u>	<u>1,433</u>		

Notes to the Financial Statements

For the Year Ended June 30, 2009

6.	CAPITAL WORK-IN-PROGRESS	Note	2009 (Rupees in thousands)	2008
	This comprises of:			
	Existing operation			
	Civil works		10,288	-
	Plant and machinery [including in transit of Nil (2008: Rs. 5.39 million)]		283,593	32,498
	Advances to suppliers		2,264	43,068
	Others		217	-
			296,362	75,566
	Expansion project			
	Civil works		-	855,882
	Plant and machinery		-	4,862,967
	Financial charges		-	790,623
	Arrangement and advisory fee for syndicate long-term financing		-	65,191
	Consultancy Fee		-	92,544
	Insurance charges		-	23,328
	Trial production losses	6.1	-	143,127
	Other directly attributable costs		-	74,338
	Advances to suppliers		-	3,513
	Others assets		-	19,103
			-	6,930,616
		6.2	296,362	7,006,182
6.1	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, 2009

- 6.2 An amount of Rs. 6,941 million (2008: Rs. 1,791 million) has been transferred to operating fixed assets during the year, including an amount of Rs. 6,880 million relating to Expansion Project.

7. INTANGIBLE ASSETS	Note	2009 (Rupees in thousands)	2008
Computer software - in use		891	1,123
ERP Software - in use	7.2	48,773	-
ERP Software - under development	7.2	-	24,526
		<u>49,664</u>	<u>25,649</u>
7.1 Net carrying value basis			
Opening net book value		1,123	-
Additions (at cost)		49,600	1,162
Amortization charge		(1,059)	(39)
Closing net book value		<u>49,664</u>	<u>1,123</u>
Gross carrying value basis			
Cost		50,762	1,162
Accumulated amortization		(1,098)	(39)
Net book value		<u>49,664</u>	<u>1,123</u>
Amortization rate % per annum		20	20 - 33.33
7.2 It represents expenditure incurred on acquiring, licencing and implementing Enterprise Resource Planning (ERP) software. The ERP software has been capitalized during the year.			

Notes to the Financial Statements

For the Year Ended June 30, 2009

	Note	2009 (Rupees in thousands)	2008
8. LONG-TERM LOANS AND ADVANCES			
(Unsecured-considered good)			
Long-term loans	8.1	539	804
Long-term advance to suppliers		3,625	4,750
	8.1.1	<u>4,164</u>	<u>5,554</u>
8.1 Due from employees	8.1.2	909	1,222
Less: Current portion shown under current assets	14	<u>370</u>	<u>418</u>
		<u>539</u>	<u>804</u>
8.1.1 Chief Executive Officer and Directors have not taken any loans and advances from the Company.			
8.1.2 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.			
9. LONG-TERM DEPOSITS			
Leases		-	199
Others		2,805	2,820
		2,805	3,019
Less: Current portion shown under current assets	15	<u>-</u>	<u>199</u>
		<u>2,805</u>	<u>2,820</u>
10 DEFERRED TAXATION			
Deferred taxation	10.1	<u>(190,106)</u>	<u>352,214</u>
10.1 The net balance for deferred taxation is in respect of following temporary differences:			
Deferred tax liabilities:			
Accelerated tax depreciation allowance		1,941,625	687,752
Deferred tax assets:			
Taxable loss		(2,123,223)	(303,482)
Turnover tax		-	(23,406)
Provision for slow moving and obsolete stores and spares		(7,700)	(7,525)
Others		(808)	(1,125)
		<u>(2,131,731)</u>	<u>(335,538)</u>
		<u>(190,106)</u>	<u>352,214</u>

Notes to the Financial Statements

For the Year Ended June 30, 2009

	Note	2009 (Rupees in thousands)	2008
11. STORES AND SPARES			
Stores		126,204	52,013
Spares			
in hand		466,736	306,592
in transit		39,397	24,950
	11.1	506,133	331,542
		632,337	383,555
Provision for slow moving and obsolete items	11.2	(22,000)	(21,500)
	11.3	610,337	362,055
11.1 Corresponding figures include spares for Expansion Project amounting to Rs.108.96 million.			
11.2 Provision for slow moving and obsolete stores and spares comprises:			
Balance at beginning of the year		21,500	18,000
Provision for the year	30	500	3,500
Balance at end of the year		22,000	21,500
11.3 Stores and spares also include items which may result in capital expenditure but are not distinguishable at the time of purchase.			
12. STOCK-IN-TRADE			
Raw materials			
in hand		804,774	1,086,806
in transit		406,048	154,517
		1,210,822	1,241,323
Work-in-process	12.1	114,138	140,476
Finished goods	12.2	32,493	114,679
		1,357,453	1,496,478
12.1 Corresponding figure includes work-in-progress relating to trial production of Expansion Project amounting to Rs. 92.17 million.			
12.2 Corresponding figure includes finished goods relating to trial production of Expansion Project amounting to Rs. 91.42 million.			
12.3 The carrying amount of work in process and finished goods include inventories amounting to Rs. 35.02 million (2008: Rs. 7.18 million) which are carried at fair value less costs to sell.			

Notes to the Financial Statements

For the Year Ended June 30, 2009

		2009	2008
		(Rupees in thousands)	
13.	TRADE DEBTS		
	Considered good		
	Secured	4,300	8,206
	Unsecured		
	Due from associated undertakings	40,169	79,762
	Others	459,660	325,203
		499,829	404,965
		504,129	413,171
13.1	This comprises amounts receivable from:		
	Colgate-Palmolive (Pakistan) Limited	14,643	20,389
	Merit Packaging Limited	20,851	56,635
	Clover Pakistan Limited	4,675	2,738
		40,169	79,762
13.2	The maximum amount due from related parties at the end of any month during the year was Rs. 156.52 million (2008: Rs. 79.76 million).		
14.	LOANS AND ADVANCES		
	(Unsecured - considered good)		
	Loans		
	Current portion of long-term loans		
	Due from executive	20	-
	Due from employees	350	418
		370	418
	Advances		
	to employees	2,805	7,386
	to suppliers	59,259	10,926
	Others	82	-
		62,146	18,312
		62,516	18,730
14.1	The advances to employees are provided to meet business expenses and are settled as and when the expenses are incurred.		
14.2	Chief Executive Officer and Directors have not taken any loans and advances from the Company.		

Notes to the Financial Statements

For the Year Ended June 30, 2009

		2009 (Rupees in thousands)	2008
	Note		
15. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Current portion of long-term deposits	9	-	199
Deposits		19,702	7,917
Prepayments		924	11,219
		<u>20,626</u>	<u>19,335</u>
16. OTHER RECEIVABLES			
Unsecured-considered good			
Fair value of interest rate swap		-	1,866
Due from associated undertakings	16.1	3,734	1,775
Insurance claim on consequential loss policy	16.2	-	22,400
Claim receivable from supplier		-	6,800
Others		267	914
		<u>4,001</u>	<u>33,755</u>
16.1 This comprises of amounts receivable from:			
Century Insurance Company Limited		2,487	1,706
Siza (Pvt) Limited		400	-
Merit Packaging Ltd		234	-
Siza Commodities (Pvt) Limited		200	-
Premier Fashions (Pvt) Limited		179	-
Hassanali Karabhai Foundation		117	-
Siza Services (Pvt) Limited		117	-
Tritex Cotton Mills Limited		-	69
		<u>3,734</u>	<u>1,775</u>
16.2 Corresponding figure represents an amount receivable from an associated undertaking, Century Insurance Company Limited which has been received during the year.			
17. TAX REFUNDS DUE FROM GOVERNMENT (Considered good)			
Income tax	17.1	31,337	37,980
Sales tax and special excise duty	17.2	-	112,395
		<u>31,337</u>	<u>150,375</u>

Notes to the Financial Statements

For the Year Ended June 30, 2009

- 17.1 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. During the year tax department has reassessed the tax liability for the tax year 2007 and determined net refund of Rs. 27.890 million. The refund voucher is still pending.
- 17.2 Corresponding figure relates to input on sales tax and special excise duty paid on purchase of raw materials and stores and spares for expansion project during previous year. The amount was subsequently adjusted against output sales tax and special excise duty for the current year.

18. TAXATION - NET

The income tax assessments of the Company have been finalized upto tax year 2008 (accounting year ended June 30, 2008) and adequate provisions have been made in these financial statements for the year ended June 30, 2009 (tax year 2009).

	Note	2009 (Rupees in thousands)	2008
19. CASH AND BANK BALANCES			
At banks			
in current accounts	19.1	121,212	5,172
In hand			
Cheques		283,668	6,056
Cash		1,971	5,246
		<u>406,851</u>	<u>16,474</u>

- 19.1 Cash at banks in current accounts include US Dollars 412.80 (2008: US Dollars 1,008) held in foreign currency account.

20. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Number of ordinary shares of Rs.10/- each				
2009	2008			
56,473,830	56,473,830	Fully paid in cash	564,738	564,738
		Issued as fully paid		
13,502,046	13,502,046	Bonus Shares	135,021	135,021
<u>69,975,876</u>	<u>69,975,876</u>		<u>699,759</u>	<u>699,759</u>
		Issued under scheme of		
707,550	707,550	amalgamation	7,075	7,075
<u>70,683,426</u>	<u>70,683,426</u>		<u>706,834</u>	<u>706,834</u>
		Shares held by associated		
<u>43,118,360</u>	<u>43,118,360</u>	companies	<u>431,184</u>	<u>431,184</u>

Notes to the Financial Statements

For the Year Ended June 30, 2009

	Note	2009 (Rupees in thousands)	2008
21. RESERVES			
Capital			
Share premium	21.1	984,652	984,652
Merger reserve	21.2	7,925	7,925
		<u>992,577</u>	<u>992,577</u>
Revenue			
General		1,232,750	1,204,750
Unappropriated (loss) / profit		(1,053,683)	28,461
		<u>179,067</u>	<u>1,233,211</u>
	21.3	<u>1,171,644</u>	<u>2,225,788</u>
21.1	This reserve can be utilized by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.		
21.2	This represents amount arising under scheme of arrangement for amalgamation of former Century Power Generation Limited with the Company, a subsidiary with the Company.		
21.3	Movement of reserves have been reflected in the statement of changes in equity.		
22. SUBORDINATED LOAN - UNSECURED			
From Sponsors of the Company	22.1	<u>1,650,000</u>	<u>1,650,000</u>
22.1	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 23.1) and Syndicated Term Finance Facility of Rs.2,000 million (note 23.2).		
	These loans carry mark-up at 12% per annum during the year.		
	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.		
23. LONG-TERM FINANCING			
From banking companies - secured			
Utilized under mark-up arrangements			
Financed by:			
Islamic Sukuk Certificates	23.1	3,500,000	3,500,000
Consortium of Banks (Syndicated)	23.2	2,000,000	2,000,000

Notes to the Financial Statements

For the Year Ended June 30, 2009

	Note	2009 (Rupees in thousands)	2008
United Bank Limited - 1	23.3	-	166,665
United Bank Limited - 2	23.4	21,429	64,287
		5,521,429	5,730,952
Less: Current portion shown under current liabilities		(446,429)	(209,524)
		5,075,000	5,521,428
Directors' loan	23.5	1,200,000	-
Sponsors' loan	23.6	970,000	450,000
		2,170,000	450,000
		7,245,000	5,971,428

- 23.1 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 first pari passu hypothecation charge over the assets of respective Expansion Project to the extent of beneficial right of the Certificate Holders with 25% margin.

- 23.2 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 first pari passu 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.

Notes to the Financial Statements

For the Year Ended June 30, 2009

23.3 The amount utilized under this facility has been repaid in full.

23.4 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 ending on December 2009. 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.

23.5 This represents loans obtained from the directors to meet working capital requirement and certain capital expenditures of the Company. These loans carry mark-up at 12% per annum. This loan is repayable after June 30, 2010 or as otherwise mutually agreed by both the parties.

23.6 This represents loans obtained from the directors to meet working capital requirements and certain capital expenditures of the Company.

The loan of Rs. 300 million is repayable in three equal semi-annually installments commencing from July 2010 and the loan of Rs. 150 million will be repaid after June 30, 2010. These loans carry mark-up at 12% per annum.

The loans of Rs. 520 million carries mark-up at 12% per annum and are repayable after June 30, 2010 or as otherwise mutually agreed by the both the parties.

24.	RETENTION MONEY PAYABLE	Note	2009 (Rupees in thousands)	2008
	Retention money payable		-	78,292
	Current portion shown under current liabilities		-	(59,379)
		24.1	<u>-</u>	<u>18,913</u>

24.1 This relates to retention money payable to the contractors of Expansion Project.

25. TRADE AND OTHER PAYABLES

Creditors	25.1	546,924	458,768
Accrued liabilities		119,211	68,286
Sales tax and special excise duty		10,278	-

Notes to the Financial Statements

For the Year Ended June 30, 2009

	Note	2009 (Rupees in thousands)	2008
Customers' balances		162,565	22,967
Gratuity payable	39.4	2,308	5,080
Workers' profit participation fund	25.3	100	2,222
Workers' welfare fund		40	3,056
Unclaimed dividend		736	736
Security deposits		9,811	3,850
Other liabilities		18,937	12,963
		<u>870,910</u>	<u>577,928</u>

25.1 This includes amount of Rs. 302.25 million (2008: Rs. 164.09 million) of foreign bills payable.

25.2 The aggregate amount of the outstanding balance of associated undertakings as at June 30, 2009 is Rs. 7.77 million (2008: Rs. 2.54 million).

25.3 Workers' profit participation fund

Balance at July 01		2,222	7,847
Interest on fund utilized in Company's business	35	100	279
Allocation for the year	33	-	1,943
		<u>2,322</u>	<u>10,069</u>
Amount paid during the year		<u>(2,222)</u>	<u>(7,847)</u>
Balance at June 30		<u>100</u>	<u>2,222</u>

26. FINANCIAL CHARGES PAYABLE

Financial charges payable on:

Long-term financing	26.1	567,246	172,881
Short-term borrowings		24,240	23,627
Short-term finance -associated company		3,384	-
		<u>594,870</u>	<u>196,508</u>

26.1 This includes an amount of Rs. 364.12 million on account of mark up on sponsors' loan. No mark up has been paid during the year.

27. SHORT TERM BORROWINGS

From associated undertaking - Unsecured	27.1	650,000	
From banking companies - secured			
Running finances	27.2 & 27.4	347,809	1,059,094
Import credit finances	27.3 & 27.4	93,647	374,927
		<u>441,456</u>	<u>1,434,021</u>
		<u>1,091,456</u>	<u>1,434,021</u>

Notes to the Financial Statements

For the Year Ended June 30, 2009

- 27.1 This short-term finance of Rs. 650 million has been obtained to meet working capital requirements. The loan carries mark-up at 10% per annum.

This short-term finance is repayable in lump sum after one month from the date of execution of the agreement.

- 27.2 The Company has aggregate short term running finance facilities amounting to Rs. 2,450 million (2008: Rs. 2,400 million) which includes Letter of Credit limit of Rs. 2,340 million (2008: Rs. 700 million) 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 1% to 3.50% per annum (2008: from 0.45% to 1.50% per annum). The unutilized facility at the end of the year is Rs. 2,009 million (2008: Rs. 966 million).

- 27.3 An amount of US\$ 1.15 million (2008: US\$ 5.48 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 2.50 % to 3% per annum (2008: from 0.50 % to 2.50%).

- 27.4 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.

- 27.5 Additionally the Company has the facilities for opening of letters of credit and guarantees amounting to Rs. 2,729 million (2008: Rs 2,334 million) out of which Rs. 1,411.87 million (2008: Rs. 1,523.35 million) remained unutilized at the balance sheet date.

28. CONTINGENCIES AND COMMITMENTS

28.1 Contingencies

- a) In August 2009, Income Tax Department has made an assessment order for the tax year 2004 and determined additional liability of Rs. 3.21 million. However, the Company has filed an appeal in respect of certain expenses disallowed by the tax authorities , the impact of which will result in additional tax of Rs. 2.87 million. The management is confident for a favorable outcome and, therefore, no provision has been made in these financial statements.
- b) Guarantees have been issued by banks on behalf of the Company in the normal course of business aggregating to Rs. 274.58 million (2008: Rs. 291.55 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. 682.38 million (2008: Rs. 139.77 million).
- b) Capital expenditure including letters of credit amounted to Rs. 15.24 million (2008: Rs. 194.76 million).

Notes to the Financial Statements

For the Year Ended June 30, 2009

c) Licensing and implementation cost of ERP software is Nil (2008: Rs. 19.16 million).

d) Technical consultancy fee for Expansion Project is Nil (2008: Rs. 6.98 million).

	Note	2009 (Rupees in thousands)	2008
29. SALES			
Gross sales		8,331,738	5,036,261
Sales tax		(1,109,758)	(632,311)
Special excise duty		(69,888)	(42,934)
		(1,179,646)	(675,245)
		<u>7,152,092</u>	<u>4,361,016</u>
30. COST OF SALES			
Materials consumed		4,546,513	2,538,384
Fuel and power		952,955	635,248
Depreciation	5.5	673,236	263,743
Salaries, wages and other benefits	30.1	326,188	233,701
Repairs and maintenance	30.2	383,910	290,292
Packing expenses		151,216	78,054
Insurance		48,822	21,202
Security services charges		7,693	4,516
Provision for slow moving and obsolete stores and spares	11.2	500	3,500
Travelling and conveyance		3,571	3,278
Printing, stationery and periodicals		3,989	2,802
Lease rentals		136	308
Communication		509	322
Others		232	39
Less: Insurance claim on consequential loss policy		-	(22,400)
		<u>7,099,470</u>	<u>4,052,989</u>
Work-in-process			
Opening Stock		48,306	48,383
Transfer of stock on commencement of commercial operations of expansion project		89,066	-
Closing Stock		(114,138)	(48,306)
		<u>23,234</u>	<u>77</u>
Cost of goods manufactured		<u>7,122,704</u>	<u>4,053,066</u>
Finished goods			
Opening stock		23,257	12,880
Transfer of stock on commencement of commercial operations of expansion project		112,920	-
Closing stock		(32,493)	(23,257)
		<u>103,684</u>	<u>(10,377)</u>
		<u>7,226,388</u>	<u>4,042,689</u>

Notes to the Financial Statements

For the Year Ended June 30, 2009

30.1 Salaries, wages and other benefits include Rs. 19.20 million (2008: Rs. 12.89 million) in respect of staff retirement benefits.

30.2 Repairs and maintenance includes Rs.314 million (2008: Rs. 241 million) in respect of stores and spares consumed.

31. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2009 (Rupees in thousands)	2008
Salaries and other benefits	31.1	84,026	73,105
Depreciation	5.5	19,107	14,029
Rent, rates and taxes		10,574	7,577
Communication		8,439	6,683
Insurance		3,622	2,006
Repairs and maintenance		1,062	3,297
Electricity		4,074	2,865
Amortization of intangible assets	7.1	827	-
Fees and subscription		3,480	1,797
Advertisement and publicity		251	265
Travelling and conveyance		5,940	3,174
Security service charges		3,141	2,213
Printing, stationery and periodicals		1,720	1,677
Business promotion expenses		2,203	1,584
Others		2	386
		<u>148,468</u>	<u>120,658</u>

31.1 Salaries and other benefits include Rs. 6.24 million (2008: Rs. 4.73 million) in respect of staff retirement benefits.

32. SELLING AND DISTRIBUTION EXPENSES

Selling expenses:

Salaries and other benefits	32.1	17,544	13,398
Insurance		257	214
Repairs and maintenance		5	444
Lease rentals		61	261
Electricity		717	608
Depreciation	5.5	213	55
Advertisement and publicity		100	-
Travelling and conveyance		1,534	1,167
Rent, rate and taxes		1,080	765
Communication		460	500
		<u>21,971</u>	<u>17,412</u>

Distribution expenses:

Outward freight		36,096	23,344
		<u>58,067</u>	<u>40,756</u>

Notes to the Financial Statements

For the Year Ended June 30, 2009

32.1 Salaries and other benefits include Rs. 1.37 million (2008: Rs. 0.96 million) in respect of staff retirement benefits.

33. OTHER OPERATING CHARGES

	Note	2009 (Rupees in thousands)	2008
Legal and professional charges		4,470	2,744
Loss on change in fair value of interest rate swap		1,866	389
Auditors' remuneration			
Statutory audit		460	460
Half yearly review		80	80
Fee for other services		130	115
Reimbursement of expenses		55	44
		725	699
Workers' profit participation fund	25.3	-	1,943
Workers' welfare fund		83	(142)
Net exchange loss	33.1	66,770	53,684
Impairment charge		-	873
Loss on sale of fixed assets - net		271	-
Donation		-	100
Others		267	-
		<u>74,452</u>	<u>60,290</u>

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

34. OTHER OPERATING INCOME

Income from financial assets		71	27
Profit on bank deposit accounts			
Income from non-financial assets			
Sale of scrap	34.1	38,124	24,937
Profit on sale of fixed assets - net		-	479
Claim from supplier		-	6,800
Insurance agency commission from associated company		7,560	6,098
Fire insurance claim - Plant and machinery		13,865	-
Provision and unclaimed liabilities written back		576	1,311
Others		686	471
		<u>60,811</u>	<u>40,096</u>
		<u>60,882</u>	<u>40,123</u>

Notes to the Financial Statements

For the Year Ended June 30, 2009

34.1 This includes sales proceeds of fixed assets sold as bulk scrap during the year (refer note 5.1).

35. FINANCIAL CHARGES	Note	2009 (Rupees in thousands)	2008
Financial charges on:			
Long term financing		1,095,807	49,029
Short term loan from associated under takings		3,384	-
Short term borrowings		196,816	48,106
Workers' profit participation fund	25.3	100	279
		<u>1,296,107</u>	<u>97,414</u>
Bank charges and commission		4,101	2,279
		<u>1,300,208</u>	<u>99,693</u>
36. TAXATION			
For the year			
Current	36.1	437	23,913
Prior		1,417	(2,393)
Deferred		(542,319)	(12,618)
		<u>(540,465)</u>	<u>8,902</u>

36.1 In view of tax loss for the year, no provision for current year has been made except for tax deducted at source on insurance agency commission under Section 233 of the Income Tax Ordinance, 2001 under final tax regime.

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

	2009 %age	2008 %age
Applicable tax rate	35.00	35.00
Tax effect of expenses that are not deductible in determining taxable profit (permanent differences)	(1.33)	(0.14)
Effect of final tax under presumptive tax regime	0.13	(4.39)
Effect of change in prior year tax	0.09	(6.45)
	<u>(1.11)</u>	<u>(10.98)</u>
Average effective tax rate	<u>33.89</u>	<u>24.02</u>

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:

(Loss) / Profit after taxation	<u>(1,054,144)</u>	<u>28,151</u>
Weighted average number of ordinary shares (in thousands)	<u>70,684</u>	<u>70,684</u>
(Loss) / Earnings per share (Rupees)	<u>(14.91)</u>	<u>0.40</u>

Notes to the Financial Statements

For the Year Ended June 30, 2009

38. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in their meeting held on July 31, 2009, has decided to issue 300,404,561 (three hundred million four hundred and four thousand five hundred and sixty one only) preference shares of the face value Rs. 10 (rupees ten only) each, aggregating to Rs. 3,004,045,610/- (rupees three billion four million forty five thousand six hundred and ten only), by way of rights offering to the existing shareholders of the Company in the proportion of 4.25 preference shares for every 1 ordinary share held.

The purpose of the preference issue is to improve current financing structure by enhancing the shareholder equity aiming at rationalizing interest cost and ensuring compliance with obligations to lenders. The proceeds from the preference shares will be utilized to reduce the debts of the Company by repaying part of the Sponsors loan after retaining certain amounts for Company operations, if necessary.

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, 2009, using the Projected Unit Credit Method.

39.2 Principal actuarial assumptions

Following are a few important actuarial assumptions used in the valuation:

	2009	2008
Discount rate (%)	12	12
Expected rate of return on plan assets (%)	12	10
Expected rate of increase in salary (%)	12	12
Average expected remaining working life time of employees (years)	7	7

Notes to the Financial Statements

For the Year Ended June 30, 2009

	Note	2009 (Rupees in thousands)	2008			
39.3 Reconciliation of due to defined benefit plan						
Present value of defined benefit obligation		109,952	87,772			
Fair value of plan assets		(66,813)	(71,914)			
		43,139	15,858			
Net actuarial (loss) / gain to be recognized in later periods		(40,831)	(10,778)			
Closing net liability		2,308	5,080			
39.4 Movement of the (asset)/liability recognized in the balance sheet						
Opening net liability		5,080	231			
Charge for the year	39.5	14,029	9,232			
Contribution to fund made during the year		(16,801)	(4,383)			
Closing net liability	25	2,308	5,080			
39.5 Charge for the year						
Current service cost		11,611	9,222			
Interest cost		10,533	7,017			
Expected return on plan assets		(8,629)	(7,007)			
Actuarial losses recognized during the year		514	-			
Charge for the year		14,029	9,232			
39.6 Comparison for five years						
		2008-09	2007-08	2006-07	2005-06	2004-05
a)	Present value of Defined Benefits Obligation and Fair Value of Plan Assets					
	Present value of defined benefits obligations at year end	109,952	87,772	70,175	58,350	49,645
	Fair value of plan assets at year end	66,813	71,905	70,074	60,093	53,236
		(43,139)	(15,867)	(101)	1,743	3591
b)	Experience Adjustments					
	Experience adjustment arising on plan liabilities (gains)/losses	7,864	4,944	6,044	7,279	3,542
	Experience adjustment arising on plan assets (gains)/losses	(22,694)	(5,974)	6,775	3,581	1,929
	Actual return on plan assets	14,830	1,030			

Notes to the Financial Statements

For the Year Ended June 30, 2009

40. CASH GENERATED FROM OPERATIONS	Note	2009 (Rupees in thousands)	2008
(Loss) / profit before taxation		(1,594,609)	37,053
Adjustment for non-cash charges and other items:			
Depreciation		692,556	277,827
Impairment loss		-	873
Amortization of intangible assets		1,059	39
Loss / (profit) on sale of fixed assets		271	(508)
Fixed assets retired (net book value)		-	29
Provision for gratuity		14,029	9,232
Provision for slow moving / obsolete stores and spares		500	3,500
Profit on short term investment and bank deposit accounts		(71)	(27)
Fair value of interest rate swap		1,866	389
Financial charges	35	1,300,208	99,693
Working capital changes	40.1	196,891	(1,174,926)
		<u>612,700</u>	<u>(746,826)</u>
40.1 Working capital changes			
Decrease/(increase) in current assets:			
Stores and spares		(248,782)	(134,964)
Stock-in-trade		139,025	(1,040,616)
Trade debts		(90,958)	(132,370)
Loans and advances		(43,786)	(12,922)
Trade deposits and short term prepayments		(1,291)	(14,505)
Other receivables		27,888	(31,604)
Tax refunds due from Government		119,038	(112,395)
		<u>(98,866)</u>	<u>(1,479,376)</u>
Increase in current liabilities:			
Trade and other payables (excluding unclaimed dividend and gratuity payable)		295,757	304,450
		<u>196,891</u>	<u>(1,174,926)</u>

Notes to the Financial Statements

For the Year Ended June 30, 2009

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:

	2009					2008			
	Chairman	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	(Rupees in thousands)								
Managerial remuneration	7,550	4,858	1,199	24,805	38,412	9,060	6,213	14,804	30,077
House rent	-	1,507	485	10,147	12,139	-	2,458	5,944	8,402
Bonus	-	805	119	4,694	5,618	-	1,270	2,129	3,399
Staff retirement benefits	-	1,225	306	5,153	6,684	-	946	1,645	2,591
Medical	750	426	78	2,502	3,756	900	609	1,477	2,986
Utilities	947	218	-	324	1,489	724	-	293	1,017
Others	-	6	2	248	256	-	17	158	175
Total	9,247	9,045	2,189	47,873	68,354	10,684	11,513	26,450	48,647
Number of persons	1	1	2	31	35	1	2	20	23

- b) Aggregate amount charged in these financial statements in respect of Directors' fee is Rs. 1,500 (2008: Rs.2,000).
- c) The Chief Executive, Directors and Executives are also provided with the Company maintained cars.

Notes to the Financial Statements

For the Year Ended June 30, 2009

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	2009 (Rupees in thousands)	2008
Associated companies	Sales of goods and services		699,839	521,863
	Purchase of goods and services		87,345	95,459
	Rent and other allied charges		3,988	3,853
	Insurance agency commission		7,560	6,098
	Issue of bonus shares		-	35,619
	Insurance claims		13,951	23,060
	Short-term finance		650,000	-
	Mark-up accrued on short-term finance		3,384	-
Other related parties	Purchase of goods and services		7,219	12,159
Sponsors and Directors	Long-term financing obtained from sponsors and directors		1,720,000	525,000
	Mark-up accrued / paid on Sponsors loan		364,118	173,369
	Repayment of Director loan		-	150,000
	Issue of bonus shares		-	959
Retirement benefit plans	Contribution to staff retirement benefit plans		29,567	14,623
Key management personnel	Remuneration and other benefits	42.1	68,354	48,647

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

42.2 The status of outstanding balances of related parties as at June 30, 2009 are included in "Trade debts" (note 13), "Other receivables" (note 16) and "Trade and other payables" (note 25) respectively.

43. CAPACITY AND PRODUCTION - TONNES

	2009		2008	
	Annual capacity on three shifts	Actual production	Annual capacity on three shifts	Actual production
Paper and paper board produced (Note: 43.1)	240,000	141,997	110,000	96,778
Paper and paper board conversion	22,000	17,775	22,000	17,128

43.1 The above figure includes installed capacity of 130,000 tonnes of new Coated Duplex Board which commenced commercial operation in August 2008. The actual production volumes suffered because of plant shut down during the winter season due to gas outages.

Notes to the Financial Statements

For the Year Ended June 30, 2009

44. FINANCIAL ASSETS AND LIABILITIES

		2009				
	Note	Total	Interest/mark up bearing		Not interest /mark up bearing	
			Maturity upto one year	Maturity after one year		Sub-total
<hr/>						
Financial assets						
Long-term loans		909	-	-	909	
Long-term deposits and other receivables		2,805	-	-	2,805	
Trade debts		504,129	-	-	504,129	
Trade deposits		19,702	-	-	19,702	
Other receivables		4,001	-	-	4,001	
Cash and bank balances		406,851	-	-	406,851	
		<u>938,397</u>	<u>-</u>	<u>-</u>	<u>938,397</u>	
<hr/>						
Financial liabilities						
Subordinated loan		1,650,000	-	1,650,000	-	
Long-term financing		7,691,429	446,429	7,245,000	-	
Trade and other payables		694,081	-	-	694,081	
Financial charges payable		594,870	-	-	594,870	
Retention money payable		-	-	-	-	
Short-term borrowings		1,091,456	1,091,456	-	-	
		<u>(11,721,836)</u>	<u>(1,537,885)</u>	<u>(8,895,000)</u>	<u>(1,288,951)</u>	
On balance sheet gap		<u>(10,783,439)</u>	<u>(1,537,885)</u>	<u>(8,895,000)</u>	<u>(350,554)</u>	
Off Balance sheet Items						
Financial commitments:						
Letter of credits	28.2 (a)	729,811	-	-	729,811	
Capital Commitment including letter of credits	28.2 (b)	15,240	-	-	15,240	
		<u>(745,051)</u>	<u>-</u>	<u>-</u>	<u>(745,051)</u>	
Total Gap		<u>(11,528,490)</u>	<u>(1,537,885)</u>	<u>(8,895,000)</u>	<u>(1,095,605)</u>	
<hr/>						
		2008				
	Note	Total	Interest/mark up bearing		Not interest /mark up bearing	
			Maturity upto one year	Maturity after one year		Sub-total
<hr/>						
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		26,955	-	-	26,955	
Cash and bank balances		16,474	-	-	16,474	
		<u>468,758</u>	<u>-</u>	<u>-</u>	<u>468,758</u>	
<hr/>						
Financial liabilities						
Subordinated loan		1,650,000	-	1,650,000	-	
Long-term financing		6,180,952	209,524	5,971,428	-	
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	-	-	
		<u>(10,084,856)</u>	<u>(1,643,545)</u>	<u>(7,621,428)</u>	<u>(819,883)</u>	
On balance sheet gap		<u>(9,616,098)</u>	<u>(1,643,545)</u>	<u>(7,621,428)</u>	<u>(351,125)</u>	
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 licence cost of ERP software (Oracle)	28.2 (c)	19,160	-	-	19,160	
Commitments for rental under operating leases		56	-	-	56	
		<u>(353,746)</u>	<u>-</u>	<u>-</u>	<u>(353,746)</u>	
Total Gap		<u>(9,969,844)</u>	<u>(1,643,545)</u>	<u>(7,621,428)</u>	<u>(704,871)</u>	
<hr/>						



Notes to the Financial Statements

For the Year Ended June 30, 2009

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

45.1 Risk management policies

The Company's objective in managing risks is the creation and protection of share holders' value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to credit risk, liquidity risk and market risk (which includes interest rate risk and price risk) arising from the financial instruments it holds.

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.

45.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted and arises principally from trade and other receivables. The Company's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulatory requirements.

Exposure to credit risk

The carrying amounts of the financial assets represent the maximum credit exposures before any credit enhancements. Out of total financial assets of Rs. 938.40 million (2008: Rs. 468.76 million), the financial assets which are subject to credit risk amounted to Rs. 936.43 million (2008: Rs. 463.51 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	2009	2008
	(Rupees in thousands)	
Loans and deposits	23,416	12,158
Trade debts	504,129	413,171
Other receivables	4,001	26,955
Cash and bank balances	404,880	11,228
	<u>936,426</u>	<u>463,512</u>
The aging of trade receivable at the reporting date		
Not past due	358,432	338,319
Past due 1-30 days	122,539	64,110
Past due 30-90 days	20,308	9,353
Past due 90 days	2,850	1,389
	<u>504,129</u>	<u>413,171</u>

Notes to the Financial Statements

For the Year Ended June 30, 2009

All the trade debtors at balance sheet date are domestic parties.

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties. Sales made to certain customers are secured through letters of credit.

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

Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly affected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

Impaired assets

During the year no assets have been impaired.

45.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements, if any:

	Carrying Amount	Contractual Cash Flows	Six months or less	Six to Twelve months	One to two years	Two to five years	Over five years
	(Rupees in thousands)						
2009							
Long term financing	9,341,429	13,735,033	588,150	1,023,258	3,693,837	5,300,185	3,129,603
Trade and other payables	694,081	694,081	694,081	-	-	-	-
Financial charges payable	594,870	594,870	594,870	-	-	-	-
Short term borrowings	1,091,456	1,095,998	1,095,998	-	-	-	-
	11,721,836	16,119,982	2,973,099	1,023,258	3,693,837	5,300,185	3,129,603

Notes to the Financial Statements

For the Year Ended June 30, 2009

	Carrying Amount	Contractual Cash Flows	Six months or less	Six to Twelve months	One to two years	Two to five years	Over five years
	(Rupees in thousands)						
2008							
Long term financing	7,830,952	12,695,960	422,433	577,539	1,526,467	5,584,176	4,585,345
Trade and other payables	545,083	545,083	545,083	-	-	-	-
Financial charges payable	196,508	196,508	196,508	-	-	-	-
Retention money payable	78,292	78,292	78,292	-	-	-	-
Short term borrowings	1,434,021	1,434,021	1,434,021	-	-	-	-
	10,084,856	14,949,864	2,676,337	577,539	1,526,467	5,584,176	4,585,345

45.4 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

a) Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company's exposure to foreign currency risk is as follows-

	2009 (Rupees in thousands)	2008
Foreign Bill Payable	302,251	264,702
Import Credit Finances	93,647	374,927
Foreign currency bank account	(33)	(69)
Gross Balance sheet exposure	395,865	639,560
Outstanding letter of credits	743,037	355,004
Net exposure	1,138,902	994,564

The following significant exchange rates have been applied

	Average rate		Reporting date rate	
	2009	2008	2009	2008
	Rupees			
USD to PKR	79.03	63.06	81.30	68.20

At reporting date, if the PKR had strengthened by 10% against the US Dollar with all other variables held constant, post-tax loss / profit for the year would have been lower/higher by the amount shown below, mainly as a result of net foreign exchange gain on net foreign currency exposure at reporting date.

Notes to the Financial Statements

For the Year Ended June 30, 2009

	Average rate		Reporting date rate	
	2009	2008	2009	2008
	(Rupees in thousands)			
Effect on (loss) or profit	115,960	95,439	119,291	103,218

The weakening of the PKR against US Dollar would have had an equal but opposite impact on the post tax loss / profits.

The sensitivity analysis prepared is not necessarily indicative of the effects on (loss) / profit for the year and assets / liabilities of the Company.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term loans and short borrowings. At the balance sheet date the interest rate profile of the Company's interest -bearing financial instruments is:

	2009	2008	2009	2008
	Effective Rate (In percent)		Carrying amount (Rupees in thousands)	
Financial Liabilities				
Variable rate instruments				
Islamic Sukuk Certificates	14.47	11.47	3,500,000	3,500,000
Long term loans	12.00 - 14.65	10.00-11.62	5,841,429	4,330,952
Short term borrowings	10.00 - 15.04	14.23	1,091,456	1,434,021

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit and loss	
	100 bp increase	100 bp decrease
As at June 30, 2009		
Cash flow sensitivity - Variable rate financial liabilities	(98,793)	98,793
As at June 30, 2008		
Cash flow sensitivity - Variable rate financial liabilities	(18,392)	18,392

Notes to the Financial Statements

For the Year Ended June 30, 2009

The sensitivity analysis prepared is not necessarily indicative of the effects on (loss) / profit for the year and assets / liabilities of the Company.

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 the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction.

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 September 15, 2009 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 and for better presentation, the effect of which is not material.

50. GENERAL

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



IQBAL ALI LAKHANI
Chairman



AFTAB AHMAD
Chief Executive Officer

Shareholding Pattern

As at June 30, 2009

CUIN No. 0012021

Incorporation No. K-54/8182 of 1984

NO. OF SHARE HOLDERS	FROM	SHAREHOLDING TO	TOTAL SHARES HELD
263	1	100 shares	11,649
343	101	500 shares	111,105
217	501	1,000 shares	181,255
397	1,001	5,000 shares	931,387
96	5,001	10,000 shares	710,466
46	10,001	15,000 shares	568,471
16	15,001	20,000 shares	288,057
7	20,001	25,000 shares	160,652
4	25,001	30,000 shares	107,641
4	30,001	35,000 shares	135,570
2	35,001	40,000 shares	75,380
4	40,001	45,000 shares	172,800
4	45,001	50,000 shares	197,900
2	50,001	55,000 shares	109,306
1	55,001	60,000 shares	55,300
1	90,001	95,000 shares	94,110
4	95,001	100,000 shares	398,100
1	110,001	115,000 shares	113,300
2	120,001	125,000 shares	243,100
1	125,001	130,000 shares	129,800
1	130,001	135,000 shares	132,000
1	195,001	200,000 shares	200,000
1	250,001	255,000 shares	253,500
1	290,001	295,000 shares	292,820
1	300,001	305,000 shares	304,900
1	315,001	320,000 shares	318,500
2	325,001	330,000 shares	658,350
1	360,001	365,000 shares	364,925
1	600,001	605,000 shares	600,710
1	705,001	710,000 shares	707,290
1	780,001	785,000 shares	781,220
1	880,001	885,000 shares	880,260
1	1,285,001	1,290,000 shares	1,286,820
1	1,335,001	1,340,000 shares	1,339,550
1	1,340,001	1,345,000 shares	1,343,034
1	1,380,001	1,385,000 shares	1,384,060
1	2,355,001	2,360,000 shares	2,357,636
1	5,550,001	5,555,000 shares	5,552,533
1	5,715,001	5,720,000 shares	5,719,568
1	5,770,001	5,775,000 shares	5,774,324
1	5,950,001	5,955,000 shares	5,952,112
1	14,015,001	14,020,000 shares	14,016,675
1	15,665,001	15,670,000 shares	15,667,290
1,439		TOTAL	70,683,426

Century Paper & Board Mills Limited

Categories of Shareholders	Shares Held	Percentage
Directors, CEO and their Spouses & minor children	35,982	0.05
Associated Companies, Undertakings and Related Parties	43,125,087	61.01
NIT & ICP	11,272,801	15.95
Public Sector Companies and Corporations	2,357,736	3.34
Banks, Development Financial Institutions, and Non-Banking Financial Institutions	4,008,967	5.67
Modaraba and Mutual Funds	2,189,160	3.10
Insurance Companies	823,400	1.16
Others	1,612,840	2.28
General Public	5,257,453	7.44
TOTAL	70,683,426	100.00

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

Date : 30th June, 2009

Details of Pattern of Shareholding

As per requirements of Code of Corporate Governance

As at June 30, 2009

CATEGORIES OF SHAREHOLDERS	SHARES HELD
ASSOCIATED COMPANIES, UNDER TAKINGS AND RELATED PARTIES	
M/s. SIZA (Private) Limited	14,016,675
M/s. SIZA Commodities (Private) Limited	5,774,324
M/s. SIZA Services (Private) Limited	15,667,290
M/s. Premier Fashions (Private) Limited	5,952,112
M/s. Accuray Surgicals Limited	1,343,034
M/s. Century Insurance Company Limited.	364,925
Mr. Sultan Ali Lakhani	1,281
Mrs. Gulbanoo Lakhani	220
Mrs. Shaista Sultan Ali Lakhani	220
Mr. Babar Ali Lakhani	810
Mr. Bilal Ali Lakhani	110
Miss. Misha Lakhani	110
Mr. Danish Ali Lakhani	1,030
Ms. Natasha Lakhani	110
Miss Anushka Zulfiqar Lakhani	1,010
Miss. Sanam Iqbal Lakhani	926
Miss. Anika Amin Lakhani	900
NIT AND ICP	
National Bank of Pakistan Trustee Deptt:	11,272,101
Investment Corporation of Pakistan	700
DIRECTORS, CEO AND THEIR SPOUSES AND MINOR CHILDREN	
Mr. Iqbal Ali Lakhani	Chairman 1,081
Mr. Zulfiqar Ali Lakhani	Director 550
Mr. Amin Mohammed Lakhani	Director 932
Mr. Tasleemuddin A. Batlay	Director 1,982
Mr. A. Aziz H. Ebrahim	Director 809
Mr. Shahid Ahmed Khan	Director 500
Mr. Kemal Shoaib	Nominee Director (NIT) NIL
Mr. Aftab Ahmad	Chief Executive 2,736
Mrs. Ronak Iqbal Lakhani W/o. Iqbal Ali Lakhani	110
Mrs. Fatima Lakhani W/o. Zulfiqar Ali Lakhani	110
Mrs. Saira Amin Lakhani W/o. Amin Mohammed Lakhani	110
Mrs. Roohi Aftab W/o. Aftab Ahmad	27,062
EXECUTIVES	
	NIL
PUBLIC SECTOR COMPANIES AND CORPORATIONS	
	2,357,736
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABA AND MUTUAL FUNDS	
	7,021,527
OTHERS	
	1,612,840
GENERAL PUBLIC	
	5,257,453
SHAREHOLDERS HOLDING 10% OR MORE VOTING INTEREST	
SIZA (Private) Limited	14,016,675
SIZA Services (Private) Limited	15,667,290
National Bank of Pakistan Trustee Deptt:	11,272,101

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 October 2009 and at any adjournment thereof.

Signed this _____ day of _____ 2009.

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 photocopy of Computerized National Identity Card (CNIC) or the Passport of the beneficial owner. Representatives of corporate members should bring their 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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