

HALF YEARLY REPORT  
DECEMBER 2018



Clean - Green - Sustainable



Century Paper & Board Mills Limited



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## Corporate Information

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### Board of Directors

Iqbal Ali Lakhani	- Chairman
Amin Mohammed Lakhani	
Anushka Zulfiqar Lakhani	
Tasleemuddin Ahmed Batlay	
Shahid Ahmed Khan	
Kemal Shoaib	
Engr. M. Abdul Jabbar	- Nominee Director (NIT)
Aftab Ahmad	- Chief Executive Officer

### Advisor

Sultan Ali Lakhani

### Audit Committee

Kemal Shoaib	- Chairman
Amin Mohammed Lakhani	
Tasleemuddin Ahmed Batlay	

### Human Resource & Remuneration Committee

Engr. M. Abdul Jabbar	- Chairman
Amin Mohammed Lakhani	
Tasleemuddin Ahmed Batlay	
Aftab Ahmad	- Chief Executive Officer

### Chief Financial Officer

Muhammad Rashid Dastagir  
Email: rashid-dastagir@centurypaper.com.pk

### Company Secretary

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

### Head Office and Registered Office

Lakson Square, Building No.2, Sarwar Shaheed Road, Karachi-74200, Pakistan.  
Phone: (021) 38400000  
Fax: (021) 35681163, 35683410  
Email: info@centurypaper.com.pk  
Website: www.centurypaper.com.pk

### Lahore Office

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

### Mills

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

### External Auditors

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

### Shares Registrar

FAMCO Associates (Private) Limited  
8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S. Shahra-e-Faisal, Karachi.  
Phone: (021) 34380101-5 Fax: (021) 34380106  
Email: info.shares@famco.com.pk  
Website: www.famco.com.pk



## Directors' Review

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On behalf of the Board of Directors I am pleased to present the performance review of the Company together with the un-audited financial statements for the half year ended December 31, 2018.

### Operations and Sales Review

The Company produced 111,011 metric tons of paper and paperboard for the period under review (July-December 2018) as compared to 109,071 metric tons of the corresponding period of last year. The current quarter (October-December 2018) production stood at 57,071 metric tons as compared to 59,079 metric tons for the corresponding quarter.

Company sold 105,536 metric tons during the period under review (July-December 2018) as compared to 104,872 metric tons of the corresponding period of last year. Sales volumes for the current quarter (October-December, 2018) stood at 57,165 metric tons as compared to Sales volume of 56,496 metric tons of corresponding quarter (October-December, 2017) of last year.

In terms of value, the net sales of the Company for the period under review (July-December 2018) registered an increase of 19% and were recorded at Rs. 10.58 billion as compared to Rs. 8.89 billion of the corresponding period of last year mainly due to upward price adjustments and comparatively better product mix.

### Financial Performance

For the period under review (July-December 2018), your Company earned gross profit of Rs. 1,307 million as compared to Rs. 1,165 million of the corresponding period of last year registering an increase of 12%.

Similarly, the operating profit for the period under review (July-December 2018) is recorded at Rs. 978 million as compared to Rs. 860 million of the corresponding period of last year.

After taking out financial charges of Rs. 330 million (L.Y. Rs. 237 million) for the period under review, the Company has posted a Profit before tax of Rs. 648 million as compared to a Profit before tax of Rs. 623 million posted for the corresponding period of last year.

After accounting for taxation, the Company has posted net Profit of Rs. 488 million for the period under review as compared to profit of Rs. 434 million for the corresponding period of last year.

### Earnings per Share

The basic earnings per share (EPS) is reported at Rs. 3.10 as compared to EPS of Rs. 2.73 of the corresponding period of last year. There is no dilution effect on the earnings per share for the period under review and the corresponding period.

## Directors' Review

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### Redemption of Preference Shares

During the period, as approved by the Board of Directors, Company has fully redeemed outstanding preference share of Rs. 901.21 million along with proportionate dividend thereon upto the date of redemption as per terms, conditions, rights and privileges of preference shares. The terms, conditions, rights and privileges of preference shares were earlier approved by the SECP.

### Near Term Outlook

Your Company is expected to maintain its market share in the wake of market trust on its products. Escalation in raw material & fuel item prices and other costs are expected to exert pressure on margins going forward as in the first half of the year, the Company could only pass on some of the cost increases through prices adjustments. Interest costs will also go up as a result of graduated increases in policy rates by the State Bank of Pakistan and increasing requirement for our working capital. Despite the above factors, management of your Company will continue its focus on volume maximization, cost minimization and Price adjustments as per prevailing market conditions.

### Acknowledgments

Your Directors appreciate the continued support and commitment of all the stakeholders. They are especially thankful to the Banks and financial institutions. They also wish to acknowledge, hard and sincere work of the staff and employees of the Company.

On behalf of the Board of Directors

  
**AFTAB AHMAD**  
Chief Executive Officer

  
**TASLEEMUDDIN AHMED BATLAY**  
Director

Karachi: February 25, 2019

## ڈائریکٹرز کا جائزہ

بورڈ آف ڈائریکٹرز کی طرف سے 31 دسمبر 2018ء کو ختم ہونے والے نصف سال کے لیے کمپنی کی کارکردگی کا جائزہ مع غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرنا میرے لیے باعث مسرت ہے۔

### کاروباری کارکردگی اور سیلرز کا جائزہ

کمپنی نے گزشتہ سال اسی مدت میں 109,071 میٹرک ٹن کے مقابلے میں زیر جائزہ مدت (جولائی تا دسمبر 2018) میں 111,011 میٹرک ٹن پیپر اور پیپر بورڈ تیار کیا۔ گزشتہ سال اسی سہ ماہی میں 59,079 میٹرک ٹن کے مقابلے میں موجودہ سہ ماہی (اکتوبر تا دسمبر 2018) میں پیداوار 57,071 میٹرک ٹن رہی۔ گزشتہ سال اسی مدت میں 104,872 میٹرک ٹن کے مقابلے میں کمپنی نے زیر جائزہ مدت (جولائی تا دسمبر 2018) میں 105,536 میٹرک ٹن فروخت کی۔

گزشتہ سال اسی سہ ماہی (اکتوبر تا دسمبر 2017) میں 56,496 میٹرک ٹن فروخت کے حجم کے مقابلے میں موجودہ سہ ماہی (اکتوبر تا دسمبر 2018) میں فروخت کا حجم 57,165 میٹرک ٹن رہا۔

مالیت کے اعتبار سے زیر جائزہ مدت (جولائی تا دسمبر 2018) کے دوران کمپنی کی نیٹ سیلرز نے 19 فی صد اضافہ درج کرایا اور گزشتہ سال اسی مدت کے 8.89 ارب روپے کے مقابلے میں 10.58 ارب ریکارڈ کروائے جس کی بڑی وجہ موزوں پرائس ایڈجسٹمنٹس اور مصنوعات کا نسبتاً بہتر امتزاج تھا۔

### مالیاتی کارکردگی

آپ کی کمپنی نے گزشتہ سال اسی مدت میں 1,165 ملین روپے کے مقابلے میں 12 فی صد اضافہ کے ساتھ زیر جائزہ مدت (جولائی تا دسمبر 2018) میں 1,307 ملین روپے کا مجموعی منافع کمایا۔

اسی طرح گزشتہ سال اسی مدت میں 860 ملین روپے کے مقابلے میں زیر جائزہ مدت (جولائی تا دسمبر 2018) میں 978 ملین روپے کا آپریٹنگ منافع ریکارڈ کرایا۔

زیر جائزہ مدت میں 330 ملین روپے (گوشہ سال 237 ملین روپے) کی مالیاتی لاگت متہا کرنے کے بعد کمپنی نے گوشہ سال اسی مدت میں 623 ملین روپے کے قبل از ٹیکس منافع کے مقابلے میں زیر جائزہ مدت (جولائی تا دسمبر 2018) میں 648 ملین روپے کا قبل از ٹیکس منافع درج کروایا۔

کمپنی نے گزشتہ سال اسی مدت میں 434 ملین روپے کے مقابلے میں زیر جائزہ مدت (جولائی تا دسمبر 2018) میں 488 ملین روپے کا خالص منافع درج کرایا ہے۔

### فی شیئر آمدنی

گزشتہ سال اسی مدت کی 2.73 روپے فی شیئر آمدنی کے مقابلے میں زیر جائزہ مدت (جولائی تا دسمبر 2018) میں 3.10 روپے کی بنیادی فی شیئر آمدنی رپورٹ کی گئی ہے۔ گزشتہ سال اسی مدت کے دوران اور زیر جائزہ مدت کے لیے فی شیئر آمدنی پر کوئی تحلیل اثر (dilution effect) نہیں ہے۔

## ڈائریکٹرز کا جائزہ

### ترجیحی (Preference) شیئرز کی ریڈمپشن (Redemption)

کمپنی نے زیر جائزہ مدت کے دوران بورڈ آف ڈائریکٹرز کی منظوری کے مطابق 901.21 ملین روپے کے واجب الادا ترجیحی شیئرز کی رقم، مع ان کے حسب تناسب ڈیویڈنڈ کی مکمل ادائیگی کر لی۔ ترجیحی شیئرز کی شرائط، ضوابط، حقوق اور مراعات کی ایس ای سی پی (SECP) نے منظوری دے دی ہے۔


### قریب مدتی منظر نامہ


آپ کی کمپنی اپنی مصنوعات پر مارکیٹ کے اعتماد کی بدولت اپنا مارکیٹ شیئر برقرار رکھنے کے لیے پرعزم ہے۔ خام مال اور ایندھن سے متعلق اشیاء کی قیمتوں اور دیگر لاگتوں میں اضافے سے مستقبل میں منافع جات پر دباؤ کی توقع ہے، جیسا کہ سال کے پہلے نصف میں کمپنی قیمتوں میں اینڈسٹری کے ذریعے لاگتوں کا صرف کچھ اضافہ ہی منتقل کر سکی ہے۔ اسٹیٹ بینک آف پاکستان کی طرف سے پالیسی ریٹ میں مسلسل اضافے کے نتیجے میں اور ہماری بڑھتی ہوئی ورکنگ کیپٹل کی ضروریات کی صورت میں سود کی لاگت بڑھے گی۔ مندرجہ بالا عوامل کے باوجود، آپ کی کمپنی کی انتظامیہ موزوں حجم کے حصول، لاگتوں میں ممکنہ کمی اور مارکیٹ کی موجودہ صورت حال کے مطابق قیمتوں میں ردوبدل پر توجہ مرکوز رکھے گی۔

### اظہار تشکر

آپ کے ڈائریکٹرز مسلسل تعاون اور عزم پر تمام اسٹیک ہولڈرز کو خراج تحسین پیش کرتے ہیں۔ ہم بینکوں اور تمام مالیاتی اداروں کے خصوصاً شکر گزار ہیں۔ وہ کمپنی کے عملے اور ملازمین کی ان تھک اور پُر خلوص محنت کا بھی اعتراف کرتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

  
تسلیم الدین احمد باٹلے  
ڈائریکٹر

  
آفتاب احمد  
چیف ایگزیکٹو آفیسر

کراچی: 25 فروری، 2019

# Independent Auditor's Report on Review of

## Condensed Interim Financial Information to the Members

### Introduction

We have reviewed the accompanying condensed interim statement of financial position of **CENTURY PAPER & BOARD MILLS LIMITED** ("the Company") as at December 31, 2018 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and notes to the condensed interim financial information for the six-month period then ended (here-in-after referred as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at and for the six months period ended December 31, 2018 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The figures for the quarters ended December 31, 2018 and December 31, 2017 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Karachi:

Dated : February 25, 2019



**BDO EBRAHIM & CO.,**

Chartered Accountants

Engagement Partner: Zulfikar Ali Causer



# Condensed Interim Statement of Financial Position


as at December 31, 2018 (Un-audited)

	Note	December 31, 2018 (Rupees in thousands)	June 30, 2018 (Audited)
<b>ASSETS</b>			
<b>NON - CURRENT ASSETS</b>			
Property, plant and equipment	8	9,102,227	9,122,170
Operating fixed assets	9	345,220	467,547
Capital work in progress		9,447,447	9,589,717
Intangible assets		3,244	2,575
Long-term advances	10	13,720	15,243
Long-term deposits		7,169	5,869
		9,471,580	9,613,404
<b>CURRENT ASSETS</b>			
Stores and spares	11	1,377,005	1,290,040
Stock-in-trade	12	3,253,293	2,897,285
Trade debts (unsecured - considered good)		2,767,873	2,366,324
Loans and advances	13	98,274	68,566
Trade deposits and short term prepayments	14	61,385	88,357
Other receivables		16,240	10,793
Tax refunds due from Government	15	262,178	262,245
Taxation - net		194,910	291,673
Cash and bank balances	16	333,611	415,508
		8,364,769	7,690,791
<b>TOTAL ASSETS</b>		<b>17,836,349</b>	<b>17,304,195</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital 410,000,000 (June 30, 2018: 410,000,000) shares of Rs. 10 each		4,100,000	4,100,000
Issued, subscribed and paid-up capital 147,018,345 (June 30, 2018: 147,018,345) ordinary shares of Rs. 10 each		1,470,184	1,470,184
Nil (June 30, 2018: 90,121,351) preference shares of Rs. 10 each	17	-	901,214
		1,470,184	2,371,398
Reserves		4,361,244	4,071,475
		5,831,428	6,442,873
<b>NON - CURRENT LIABILITIES</b>			
Long-term financing	18	3,614,361	2,821,963
Deferred taxation		1,328,908	1,309,460
		4,943,269	4,131,423
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	2,107,974	2,215,766
Short-term borrowings	20	4,044,894	3,426,688
Interest and mark-up accrued	21	82,337	39,849
Unpaid dividend		715	-
Unclaimed dividend		969	1,019
Current portion of long-term financing	18	824,763	1,046,577
		7,061,652	6,729,899
<b>CONTINGENCIES AND COMMITMENTS</b>			
	22		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>17,836,349</b>	<b>17,304,195</b>

The annexed notes from 1 to 35 form an integral part of this condensed interim financial information.

  
AFTAB AHMAD  
Chief Executive Officer

  
TASLEEMUDDIN AHMED BATLAY  
Director

  
MUHAMMAD RASHID DASTAGIR  
Chief Financial Officer

HALF YEARLY REPORT DECEMBER 2018

## Condensed Interim Profit and Loss Account


for the period ended December 31, 2018 (Un-audited)

		Half year ended		Quarter ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	Note	(Rupees in thousands)			
Sales - net	23	10,582,039	8,890,593	5,821,456	4,876,835
Cost of sales	24	(9,275,141)	(7,725,151)	(5,080,256)	(4,189,306)
Gross profit		1,306,898	1,165,442	741,200	687,529
General and administrative expenses		(240,476)	(211,575)	(124,348)	(112,292)
Selling expenses		(29,402)	(27,681)	(14,861)	(13,846)
Distribution expenses		(40,567)	(31,717)	(18,868)	(15,438)
Other operating charges					
Workers' Profit Participation Fund		(34,817)	(33,444)	(20,226)	(21,816)
Workers' Welfare Fund		(13,230)	(12,709)	(7,685)	(8,290)
Others		(13,101)	(19,918)	(8,199)	(10,836)
		(61,148)	(66,071)	(36,110)	(40,942)
Other income	25	42,578	31,147	19,864	17,572
Operating profit		977,883	859,545	566,877	522,583
Finance cost	26	(329,595)	(236,825)	(190,286)	(116,373)
Profit before taxation		648,288	622,720	376,591	406,210
Taxation					
Current		(142,624)	(111,132)	(82,852)	(60,960)
Prior		1,482	(1,421)	1,482	(1,421)
Deferred		(19,449)	(75,685)	(11,298)	(60,904)
		(160,591)	(188,238)	(92,668)	(123,285)
Profit for the period		487,697	434,482	283,923	282,925
Earnings per share					
- basic and diluted (Rupees)	27	3.10	2.73	1.86	1.81

The annexed notes from 1 to 35 form an integral part of this condensed interim financial information.

  
AFTAB AHMAD  
Chief Executive Officer

  
TASLEEMUDDIN AHMED BATLAY  
Director

  
MUHAMMAD RASHID DASTAGIR  
Chief Financial Officer

## Condensed Interim Statement of Comprehensive Income


for the period ended December 31, 2018 (Un-audited)

	Half year ended		Quarter ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
(Rupees in thousands)				
Profit for the period	487,697	434,482	283,923	282,925
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	487,697	434,482	283,923	282,925

The annexed notes from 1 to 35 form an integral part of this condensed interim financial information.

  
**AFTAB AHMAD**  
Chief Executive Officer

  
**TASLEEMUDDIN AHMED BATLAY**  
Director

  
**MUHAMMAD RASHID DASTAGIR**  
Chief Financial Officer

## Condensed Interim Statement of Cash Flow

for the period ended December 31, 2018 (Un-audited)

	Note	December 31, 2018 (Rupees in thousands)	December 31, 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	28	815,117	934,942
Finance cost paid		(288,200)	(198,119)
Taxes paid		(82,272)	(49,753)
Taxes refunded		-	36,481
Gratuity paid		(22,566)	(20,201)
Workers' Profit Participation Fund paid		(76,301)	(48,539)
Long-term loans and advances - net		1,523	(10,179)
Long-term deposits		(1,300)	-
<b>Net cash generated from operating activities</b>		<b>346,001</b>	<b>644,632</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(524,011)	(366,907)
Proceeds from sale of property, plant and equipment		5,750	3,189
<b>Net cash used in investing activities</b>		<b>(518,261)</b>	<b>(363,718)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Redemption of preference shares		(901,214)	-
Proceeds from long-term financing from Director		-	650,000
Proceeds from long-term financing from associated companies		975,000	-
Proceeds from long-term financing from banking companies		195,465	150,000
Repayment of long-term financing from banking companies		(599,881)	(546,211)
Dividend paid on preference shares		(87,664)	(19,910)
Dividend paid on ordinary shares		(109,549)	(211,504)
<b>Net cash (used in) / generated from financing activities</b>		<b>(527,843)</b>	<b>22,375</b>
Net (decrease) / increase in cash and cash equivalents		(700,103)	303,289
Cash and cash equivalents at the beginning of the period		(3,011,180)	(2,613,674)
<b>Cash and cash equivalents at the end of the period</b>		<b>(3,711,283)</b>	<b>(2,310,384)</b>
<b>CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	16	333,611	313,572
Short-term borrowings	20	(4,044,894)	(2,623,956)
		<b>(3,711,283)</b>	<b>(2,310,384)</b>

The annexed notes from 1 to 35 form an integral part of this condensed interim financial information.

  
AFTAB AHMAD  
Chief Executive Officer

  
TASLEEMUDDIN AHMED BATLAY  
Director

  
MUHAMMAD RASHID DASTAGIR  
Chief Financial Officer

CENTURY PAPER & BOARD MILLS LIMITED

## Condensed Interim Statement of Changes in Equity

for the period ended December 31, 2018 (Un-audited)

	Issued, subscribed and paid-up capital		Reserves								Total
			Capital				Revenue			Sub-total	
	Ordinary share capital	Preference share capital	Share premium	Merger reserve	Redemption reserve	Total	General reserve	Unappropriated profit	Total		
	(Rupees in thousands)										
Balance as at July 1, 2017	1,470,184	901,214	1,822,122	7,925	931,254	2,761,301	313,226	267,100	580,326	3,341,627	5,713,025
<b>Total comprehensive income</b>											
Profit for the period	-	-	-	-	-	-	-	434,482	434,482	434,482	434,482
<b>Transaction with owners</b>											
Interim dividend - ordinary shares	-	-	-	-	-	-	-	(220,528)	(220,528)	(220,528)	(220,528)
Cumulative dividend paid on preference shares	-	-	-	-	-	-	-	(19,910)	(19,910)	(19,910)	(19,910)
								(240,438)	(240,438)	(240,438)	(240,438)
<b>Balance as at December 31, 2017</b>	<b>1,470,184</b>	<b>901,214</b>	<b>1,822,122</b>	<b>7,925</b>	<b>931,254</b>	<b>2,761,301</b>	<b>313,226</b>	<b>461,144</b>	<b>774,370</b>	<b>3,535,671</b>	<b>5,907,069</b>
<b>Balance as at July 1, 2018</b>	<b>1,470,184</b>	<b>901,214</b>	<b>1,822,122</b>	<b>7,925</b>	<b>931,254</b>	<b>2,761,301</b>	<b>313,226</b>	<b>996,948</b>	<b>1,310,174</b>	<b>4,071,475</b>	<b>6,442,873</b>
<b>Appropriation of Reserves</b>											
Transfer to general reserve	-	-	-	-	-	-	686,774	(686,774)	-	-	-
Transfer to unappropriated profit	-	-	-	-	-	-	(800,000)	800,000	-	-	-
	-	-	-	-	-	-	(113,226)	113,226	-	-	-
<b>Total comprehensive income</b>											
Profit for the period	-	-	-	-	-	-	-	487,697	487,697	487,697	487,697
<b>Transaction with owners</b>											
Redemption of preference shares	-	(901,214)	-	-	901,214	901,214	-	(901,214)	(901,214)	-	(901,214)
Final dividend on ordinary shares @ Rs 0.75 per share	-	-	-	-	-	-	-	(110,264)	(110,264)	(110,264)	(110,264)
Cumulative dividend paid on preference shares	-	-	-	-	-	-	-	(87,664)	(87,664)	(87,664)	(87,664)
	-	(901,214)	-	-	901,214	901,214	-	(1,099,142)	(1,099,142)	(197,928)	(1,099,142)
<b>Balance as at December 31, 2018</b>	<b>1,470,184</b>	<b>-</b>	<b>1,822,122</b>	<b>7,925</b>	<b>1,832,468</b>	<b>3,662,515</b>	<b>200,000</b>	<b>498,729</b>	<b>698,729</b>	<b>4,361,244</b>	<b>5,831,428</b>

The annexed notes from 1 to 35 form an integral part of this condensed interim financial information.

  
**AFTAB AHMAD**  
 Chief Executive Officer

  
**TASLEEMUDDIN AHMED BATLAY**  
 Director  
 HALF YEARLY REPORT DECEMBER 2018

  
**MUHAMMAD RASHID DASTAGIR**  
 Chief Financial Officer

# Notes to the Condensed Interim Financial Information

*for the period ended December 31, 2018 (Un-audited)*

## **1. THE COMPANY AND ITS OPERATIONS**

Century Paper & Board Mills Limited ("the Company") was incorporated in Pakistan as a public limited company on August 02, 1984 under the repealed Companies Ordinance, 1984 (as substituted by Companies Act, 2017) and its ordinary shares are quoted on Pakistan Stock Exchange. The Company is engaged in manufacturing and marketing of paper, board and related products.

## **2. GEOGRAPHICAL LOCATION AND ADDRESS OF BUSINESS UNITS**

The registered office of the Company is situated at Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi, Pakistan. The mills (plant) of the Company is situated at 62 KM, Lahore-Multan Highway, N-5, District Kasur, Pakistan, and a regional office of the Company is situated at 14-Ali Block, New Garden Town, Lahore, Pakistan.

## **3. BASIS OF PREPARATION**

### **3.1 Statement of compliance**

This condensed interim financial information is unaudited but subject to the limited scope review by auditors and is being submitted to the shareholders as required under Section 237 of the Companies Act, 2017.

These condensed interim financial information of the Company for the half year ended December 31, 2018 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Principal Reporting, issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended June 30, 2018 which have been prepared in accordance with approved accounting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

The comparative statement of financial position presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2018, whereas the comparative condensed interim profit and loss accounts, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial information for the half year ended December 31, 2017. Because of the change in the financial reporting framework consequent to the applicability of the Companies Act, 2017, certain changes in presentation and disclosures have been made in the comparative figures, however, there was no change in the reported amounts of profit and loss account or the amounts presented in the statement of financial position.

### **3.2 Basis of measurement**

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

# Notes to the Condensed Interim Financial Information

*for the period ended December 31, 2018 (Un-audited)*

## **3.3 Functional and presentation currency**

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

## **4. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS**

During the period the Company has redeemed its outstanding preference shares in full amounting to Rs. 901.21 million along with cumulative dividend thereon up to the applicable date of the redemption notice amounted to Rs. 31.58 million.

## **5. SIGNIFICANT ACCOUNTING POLICIES AND CHANGES THEREIN**

The accounting policies adopted and methods of computation followed in the preparation of this condensed interim financial information are same as those for the preceding annual financial statements for the year ended June 30, 2018.

This condensed interim financial information includes certain additional disclosures regarding shariah screening of listed companies for Islamic equity index. The Company has voluntarily disclosed information as per the requirements of the Circular No. 29 of 2016 dated September 05, 2016.

The Company has adopted all the new standards and amendments to standards, including any consequential amendments to other standards which are applicable for the financial year beginning on July 01, 2018. The adoption of these new and amended standards did not have material impact on the Company's condensed interim financial information.

Except as described below, the accounting policies adopted and methods of computation followed in the preparation of this condensed interim financial information are same as those for the preceding annual financial statements for the year ended June 30, 2018.

### **5.1 IFRS 9: Financial Instruments**

IFRS 9 'Financial Instruments' has replaced IAS 39 - Financial Instruments: Recognition and Measurement - for annual periods beginning on or after July 01, 2018, bringing together all three aspects of the accounting for financial instruments:

- Classification and measurement
- Impairment
- Hedge accounting

The Company's financial assets mainly include trade debts, loans, trade deposits and other receivables and these are classified as a financial asset and measured at amortized cost under IFRS 9. There is no change to the initial measurement of the Company's financial assets.

The adoption of IFRS 9 has changed the accounting for impairment losses for financial assets by replacing the incurred loss model approach with a forward looking expected credit loss (ECL) approach. Expected credit loss is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

The Company has applied the standard simplified approach and has calculate ECL based on life time ECL and conducted an exercise to assess the impairment of its financial assets using historical data and forward looking information. Based on such exercise, the Company has concluded that the impact of impairment on its financial assets (if any) is not material to this condensed interim financial information.

### **5.2 IFRS 15: Revenue from Contracts with Customers**

IFRS 15 'Revenue from Contracts with Customers' is effective for accounting period beginning on or after July 01, 2018. This standard has replaced IAS 18 - 'Revenue and related interpretations' and it applies to all revenue arising from contracts with customers.

# Notes to the Condensed Interim Financial Information

for the period ended December 31, 2018 (Un-audited)

The IFRS 15 establish a five-step mode to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires the entities to exercise judgment, taking in to consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. Hence, the Company has concluded that the impact of adoption of revenue recognition model as laid down in IFRS 15 is not material to this condensed interim financial information.

## 6. ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial information requires management to make certain judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2018.

## 7. TAXATION

The provisions for taxation for the half year and quarter ended December 31, 2018, have been made using the estimated effective tax rate applicable to expected total annual earnings.

The applicable income tax rate was reduced from 30% to 29% for the Tax Year 2019 on account of the changes made to the Income Tax Ordinance, 2001 through Finance Act 2018.

	Note	December 31, 2018	June 30, 2018 (Audited)
(Rupees in thousands)			
<b>8. OPERATING FIXED ASSETS</b>			
Opening net book value (NBV)		<b>9,122,170</b>	9,420,548
Additions during the period / year at cost	8.1	<b>465,765</b>	694,765
		<b>9,587,935</b>	10,115,313
Disposals during the period / year at NBV	8.2	<b>(3,723)</b>	(5,904)
Depreciation charge for the period / year		<b>(481,985)</b>	(987,239)
		<b>(485,708)</b>	(993,143)
Closing net book value (NBV)		<b>9,102,227</b>	9,122,170
8.1 Detail of additions (at cost) during the period / year are as follows:			
Buildings on freehold land		<b>517</b>	66,180
Leasehold improvements		-	11,719
Plant and machinery		<b>415,376</b>	564,718
Furniture and fixtures		<b>85</b>	1,053
Vehicles		<b>37,069</b>	34,272
Electrical and other equipments		<b>7,820</b>	4,823
Computers		<b>4,898</b>	12,000
		<b>465,765</b>	694,765



## Notes to the Condensed Interim Financial Information

for the period ended December 31, 2018 (Un-audited)

	December 31, 2018	June 30, 2018 (Audited)
Note	(Rupees in thousands)	

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

Vehicles	<u>3,723</u>	<u>5,904</u>
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8.3 The free hold land is located at Village Jumber Khurd, Tehsil Pattoki, District Kasur and area of land is 158.5 acres.

### 9. CAPITAL WORK IN PROGRESS

Civil works	7,601	5,418
Plant and machinery	335,832	371,619
Advances to suppliers	<u>1,787</u>	<u>90,510</u>
	<u>345,220</u>	<u>467,547</u>

9.1 Movement of carrying amount is as follows:

Opening balance		467,547	302,278
Additions (at cost) during the period / year	9.1.1	<u>259,831</u>	<u>794,932</u>
		727,378	1,097,210
Transfer to operating fixed assets during the period / year		<u>(382,158)</u>	<u>(629,663)</u>
Closing balance		<u>345,220</u>	<u>467,547</u>

9.1.1 This includes borrowing costs capitalized amounting to Rs. 1.09 million (June 30, 2018: Rs. 1.23 million) at an average rate of 2.75% per annum (June 30, 2018: 5.85% ).

### 10. LONG-TERM ADVANCES

(Unsecured - considered good)

Long-term advances to suppliers	10.1	<u>13,720</u>	<u>15,243</u>
---------------------------------	------	---------------	---------------

10.1 This represents advances to suppliers against purchases of vehicles in the normal course of business which does not carry any interest / mark-up.

### 11. STORES AND SPARES

In hand			
Stores	11.1	<u>906,294</u>	<u>883,914</u>
Spares		<u>374,840</u>	<u>383,591</u>
		1,281,134	1,267,505
In transit	11.2	<u>139,681</u>	<u>63,345</u>
		1,420,815	1,330,850
Provision for slow moving stores and spares		<u>(43,810)</u>	<u>(40,810)</u>
		<u>1,377,005</u>	<u>1,290,040</u>

11.1 This includes fuel for power and steam generation amounting to Rs. 175.37 million (June 30, 2018: Rs. 286.49 million).

## Notes to the Condensed Interim Financial Information

for the period ended December 31, 2018 (Un-audited)

11.2 This includes coal in transit amounting to Rs. 54.56 million (June 30, 2018: Rs. 27.02 million).

	December 31, 2018	June 30, 2018 (Audited)
Note	(Rupees in thousands)	
<b>12. STOCK-IN-TRADE</b>		
Raw materials		
in hand	1,777,604	1,281,499
in transit	590,257	808,715
	<u>2,367,861</u>	<u>2,090,214</u>
Work-in-process	122,439	58,857
Finished goods	762,993	748,214
	<u>3,253,293</u>	<u>2,897,285</u>

### 13. LOANS AND ADVANCES

(Unsecured - considered good)

Loans

    Current portion of long-term loans

-

6

Advances

    to employees

2,368

1,680

    to suppliers

95,906

66,880

98,274

68,560

13.1

98,274

68,566

13.1 This represents loans and advances in the normal course of the business and do not carry any interest / mark-up.

### 14. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Trade deposits

14.1

1,315

2,195

Prepayments

60,070

86,162

61,385

88,357

14.1 This represents short term deposits in the normal course of the business and do not carry any interest / mark-up.

### 15. TAX REFUNDS DUE FROM GOVERNMENT

Income tax

240,631

221,251

Sales tax

15.1

21,547

40,994

262,178

262,245

15.1 This includes Rs. 10.25 million paid against demand raised by Assistant Commissioner - IR (Audit) in respect of sales tax input not allowed as result of audit of sales tax returns for Tax Year 2015. The Company has filed an appeal against this order before the Commissioner Inland Revenue (Appeals - I) under Section 45B of the Sales Tax Act, 1990.

## Notes to the Condensed Interim Financial Information

for the period ended December 31, 2018 (Un-audited)

		December 31, 2018	June 30, 2018 (Audited)
	Note	(Rupees in thousands)	
<b>16. CASH AND BANK BALANCES</b>			
Cash at bank in current account			
Conventional mode		21,208	223,072
Cheques in hand		310,020	188,734
Cash in hand		2,383	3,702
		<u>333,611</u>	<u>415,508</u>
<b>17. PREFERENCE SHARES</b>			
Original issue size (fully paid in cash)		3,004,046	3,004,046
Redeemed		(2,253,035)	(1,351,821)
Converted into ordinary shares		<u>(751,011)</u>	<u>(751,011)</u>
Balance outstanding		<u>-</u>	<u>901,214</u>
17.1 During the period the Company has redeemed their outstanding preference shares in full amounting to Rs. 901.21 million along with proportionate cumulative dividend of Rs. 31.58 million. Dividend was payable at rate of six month KIBOR plus 1% per annum upto the applicable date of redemption notice on prorated basis. Redemption was made in compliance with the terms, conditions and rights and privileges of preference shares.			
<b>18. LONG TERM FINANCING</b>			
From banking companies - secured			
Utilized under mark-up arrangements financed by:			
Islamic mode			
Meezan Bank Limited - Musharaka - 1	18.1	150,000	300,000
Meezan Bank Limited - Musharaka - 2	18.2	412,500	487,500
		<u>562,500</u>	<u>787,500</u>
Conventional mode			
Syndicated - Consortium of Banks	18.3	825,000	975,000
Allied Bank Limited - Term Loan - 1	18.4	75,000	225,000
Allied Bank Limited - Term Loan - 2	18.5	276,372	150,000
Allied Bank Limited - Term Loan - 3	18.6	75,252	81,040
		<u>1,251,624</u>	<u>1,431,040</u>
		<u>1,814,124</u>	<u>2,218,540</u>
From associated undertakings - unsecured			
SIZA Commodities (Private) Limited - 1	18.7	1,000,000	1,000,000
SIZA Commodities (Private) Limited - 2	18.8	100,000	-
SIZA (Private) Limited	18.8	625,000	-
SIZA Services (Private) Limited	18.8	250,000	-
		<u>1,975,000</u>	<u>1,000,000</u>
From Director - unsecured	18.9	650,000	650,000
		<u>4,439,124</u>	<u>3,868,540</u>
Current portion:			
Islamic mode		(300,000)	(450,000)
Conventional mode		(524,763)	(596,577)
		<u>(824,763)</u>	<u>(1,046,577)</u>
		<u>3,614,361</u>	<u>2,821,963</u>

## Notes to the Condensed Interim Financial Information

*for the period ended December 31, 2018 (Un-audited)*

- 18.1 This represents Diminishing Musharaka Arrangement with Meezan Bank Limited amounting to Rs. 1,500 million. The tenor of the facility is six years including one year grace period. This finance facility is repayable in twenty equal quarterly installments which commenced from August 2014.

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

The rate of mark up is equal to base rate plus 0.50% (June 30, 2018: 0.50%). Base rate is equal to three months KIBOR of the last one business day prior to the beginning of each installment period. During the period, the effective mark up rate was 8.18% (June 30, 2018: 6.71%) per annum.

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

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

The rate of mark up is equal to base rate plus 0.50% (June 30, 2018: 0.50%). Base rate is equal to three months KIBOR of the last one business day prior to the beginning of each installment period. During the period, the effective mark up rate was 8.39% (June 30, 2018: 6.73%) per annum.

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

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

The rate of mark up is equal to base rate plus 0.50% (June 30, 2018: 0.50%). Base rate is equal to three months KIBOR of the last one business day prior to the beginning of each installment period. During the period, the effective mark up rate was 8.39% (June 30, 2018: 6.73%) per annum.

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

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

The rate of mark up is equal to base rate plus 0.50% (June 30, 2018: 0.50%). Base rate is equal to average of three months KIBOR of the last six business days prior to the beginning of each installment period. During the period, the effective mark up rate was 7.94% (June 30, 2018: 6.71%) per annum.

## Notes to the Condensed Interim Financial Information

for the period ended December 31, 2018 (Un-audited)

18.5 This term finance facility has been obtained from Allied Bank Limited amounting to Rs. 350 million specifically for Gas Turbine Generators. The tenor of the loan is three years inclusive 6 months grace period and are repayable in 10 equal quarterly installments commencing from September 2018.

This term loan is secured by way of mortgage of all present and future plant and machinery and ranking hypothecation charge over all assets belonging to the Company with 25% margin.

The rate of mark up is equal to base rate plus 0.20% (June 30, 2018: 0.20%). Base rate is equal to three months KIBOR of the last one business day prior to the beginning of each installment period. During the period, the effective mark up rate was 7.87% (June 30, 2018: 6.52%) per annum.

18.6 The Company has approved term finance facility from Allied Bank Limited under Financing Scheme of the State Bank of Pakistan for Renewal Energy (Category II) amounting to Rs.200 million specifically for Solar Grid Panels. Company has made drawdown of Rs. 81.04 million till period end. The tenor of the loan is seven years and are repayable in 28 equal installments commencing from September 2018.

This term loan is secured by way of mortgage of all present and future plant and machinery and ranking hypothecation charge over all assets belonging to the Company with 25% margin. The rate of mark up is fixed at 2.75%.

18.7 This loan has been obtained from SIZA Commodities (Private) Limited, an associated company, amounting to Rs. 1,000 million. The loan is repayable in July 2021. The rate of mark up is 0.50% (June 30, 2018: 0.50%) over average of three months KIBOR of the last one day of preceding quarter. During the period, the effective markup rate was 8.12% (June 30, 2018: 6.74%) per annum.

18.8 This represents loans obtained from SIZA (Private) Limited, SIZA Services (Private) Limited and SIZA Commodities (Private) Limited amounting to Rs. 625 million, Rs. 250 million and Rs. 100 million respectively. These loans are repayable in July 2021. The rate of mark up is 0.50% over average of three months KIBOR of the last one day of preceding quarter. During the period, the effective markup rate was 9.51% per annum.

18.9 The loan has been obtained from Sponsor Director of the Company, Mr. Iqbal Ali Lakhani, amounting to Rs. 650 million. The loan is unsecured and the tenor of the loan is two years. The rate of mark up is 0.50% (June 30, 2018: 0.50%) over average of three months KIBOR of the last one day of preceding quarter. During the period, the effective mark up rate was 8.12% (June 30, 2018: 6.77%) per annum.

		December 31, 2018	June 30, 2018 (Audited)
	Note	(Rupees in thousands)	
<b>19. TRADE AND OTHER PAYABLES</b>			
Creditors		528,218	634,381
Foreign bills payable		529,330	468,687
Accrued liabilities	19.1	774,554	735,927
Customers' balances		42,221	101,332
Gratuity payable		72,065	77,494
Workers' Profit Participation Fund payable		34,817	76,301
Workers' Welfare Fund payable		31,675	36,956
Provident fund payable		7,664	6,771
Other liabilities		87,430	77,917
		<b>2,107,974</b>	<b>2,215,766</b>

## Notes to the Condensed Interim Financial Information

for the period ended December 31, 2018 (Un-audited)

19.1 This includes an amount of Rs. 607.59 million (June 30, 2018: Rs. 518.93 million) payable in respect of Gas Infrastructure Development Cess (GIDC) levied under GIDC Act, 2015. On appeal filed by the Company, the High Court of Sindh declared the GIDC Act 2015 as null and void through its judgement dated October 26, 2016. Subsequently, based on appeal filed by the Government, the High Court of Sindh suspended the aforesaid judgement till the disposal of appeal. The matter is pending for hearing of appeal.

However, the Company has recorded a provision in the financial statements against GIDC as liability for the period from August 2014 to February 2016 and May 2017 to December 2018. No GIDC was levied by the Sui Northern Gas Pipeline Limited (SNGPL) from the month of March 2016 to April 2017.

		December 31, 2018	June 30, 2018 (Audited)
	Note	(Rupees in thousands)	
<b>20. SHORT TERM BORROWINGS</b>			
From banking companies - secured			
Running finances			
Islamic mode		452,297	226,378
Conventional mode		3,592,597	2,390,970
	20.1	4,044,894	2,617,348
Short term loan - Conventional mode	20.3	-	809,340
		4,044,894	3,426,688

20.1 The Company has available aggregate short term running finance facilities amounting to Rs. 6,576 million (June 30, 2018: Rs. 4,485 million). Mark up rates are linked with KIBOR from one to three months plus spread ranging from 0.30% to 1.00% per annum (June 30, 2018: from 0.30% to 1.25% per annum).

20.2 The Company has available aggregate sub-limits for FE loans under facilities for running finance and letters of credit amounting to Rs. 3,430 million (June 30, 2018: Rs. 3,130 million).

20.3 This loan has been repaid during the period at maturity on November 2018. This loan was obtained from Standard Chartered Bank, UK - Dubai International Finance Center branch through Standard Chartered Bank (Pakistan) Limited amounting to USD 7.00 million equivalent to fixed amount of Rs. 809.34 million.

## 21. INTEREST AND MARK-UP ACCRUED

Mark-up accrued on:

Long-term financing from Banks

    Islamic mode

    Conventional mode

7,368	7,192
11,877	9,419
19,245	16,611

Short-term borrowings from Banks

    Islamic mode

    Conventional mode

4,952	3,128
58,140	20,110
63,092	23,238
82,337	39,849

# Notes to the Condensed Interim Financial Information

for the period ended December 31, 2018 (Un-audited)

## 22. CONTINGENCIES AND COMMITMENTS

### 22.1 Contingencies

#### a) Guarantees

Guarantees have been issued by banks on behalf of the Company in the normal course of business aggregating to Rs. 681 million (June 30, 2018: Rs. 591 million) including guarantee relating to Sindh Infrastructure Cess amounting to Rs. 140 million (June 30, 2018: Rs. 100 million) furnished to Excise and Taxation Department during the period.

#### b) Sales tax

- 1) The Additional Commissioner Enforcement-I, Punjab Revenue Authority issued a show cause notice bearing no. PRA/SC/WH/937 on June 07, 2018. The Deputy Commissioner Enforcement vide his order no. PRA/ST/WH/008 dated November 02, 2018 has determined the liability of Rs. 140 million on account of withholding sales tax under Punjab Sales Tax on Services Act 2012 for the period from July 01, 2015 to June 30, 2017.

The Company filed an appeal before the Commissioner (Appeals) Punjab Revenue Authority dated December 22, 2018 against the order passed by Additional Commissioner Enforcement-I with the plea that this order was adversely decided against the Company without considering the explanation provided by the Company which is pending adjudication.

The management is of the opinion, based on the advice of legal advisor that the decision is likely to be in the favor of the Company and accordingly, no provision has been made in this condensed interim financial information.

- 2) Five cases of inadmissible input sales tax amounting to Rs. 94.45 million were adjudicated against the Company by Deputy Commissioner Inland Revenue. The appeals were filed by the Company against these orders at respective forum. These cases were remanded back to the adjudicating authorities by the Appellate Authorities with the direction to verify compliance of the Company with the relevant provision of the Sales Tax Act, 1990. No provision has been made in the condensed interim financial information as the management is of the opinion, based on advice of tax advisor, that the decision is likely to be in the favor of the Company.

#### c) Gas Infrastructure Development Cess - GIDC

Sui Northern Gas Pipeline Limited has charged an amount of Rs. 307.41 million (June 30, 2018: Rs. 254.29 million) on account of late payment surcharge on GIDC of Rs. 607.59 million (Note 19.1) payable in respect of Gas Infrastructure Development Cess (GIDC) levied under GIDC Act, 2015. On the appeal filed by the Company, the Honorable High Court of Sindh by their judgement, suspended the levy and declared the GIDC Act 2015 as null and void. Subsequent to the judgment, based on appeal filed by the Government, the High Court of Sindh suspended the aforesaid judgment till the disposal of appeal. The matter is still pending in Honorable High Court of Sindh.

No provision has been made in this condensed interim financial information for late payment surcharge as the management is of the opinion, based on advice of legal advisor that the Company is not liable to pay late payment surcharges and expects that the decision is likely to be in the favor of the Company.

### 22.2 Commitments

The Company's commitments as at statement of financial position date are as follows:





## Notes to the Condensed Interim Financial Information

for the period ended December 31, 2018 (Un-audited)

- Letters of credit other than for capital expenditure at the end of the period amounted to Rs. 1,387.01 million (June 30, 2018: Rs. 1,629.57 million).
- Capital expenditure including letters of credit amounted to Rs. 229.63 million (June 30, 2018: Rs. 105.76 million).

	Half year ended		Quarter ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	(Rupees in thousands)			
<b>23. SALES</b>				
Gross sales	12,367,572	10,403,968	6,802,299	5,707,259
Sales tax	(1,785,533)	(1,513,375)	(980,843)	(830,424)
	<u>10,582,039</u>	<u>8,890,593</u>	<u>5,821,456</u>	<u>4,876,835</u>
<b>24. COST OF SALES</b>				
Materials consumed	6,082,894	5,050,567	3,177,267	2,750,031
Fuel and power	1,711,539	1,261,086	909,775	700,575
Depreciation on property, plant and equipment	463,506	456,318	231,396	236,865
Salaries, wages and other benefits	422,167	378,681	206,171	188,870
Repairs, maintenance and stores consumption	393,288	347,192	183,005	192,403
Packing expenses	228,721	192,316	114,757	104,018
Insurance	40,727	38,979	21,436	19,812
Provision for slow moving stores and spares	3,000	3,000	1,500	1,500
Rent, rates and taxes	7,660	3,952	3,883	2,085
Manufacturing cost	<u>9,353,502</u>	<u>7,732,091</u>	<u>4,849,190</u>	<u>4,196,159</u>
Work-in-process				
Opening stock	58,857	96,961	98,853	77,867
Closing stock	(122,439)	(94,338)	(122,439)	(94,338)
	<u>(63,582)</u>	<u>2,623</u>	<u>(23,586)</u>	<u>(16,471)</u>
Cost of goods manufactured	<u>9,289,920</u>	<u>7,734,714</u>	<u>4,825,604</u>	<u>4,179,688</u>
Finished goods				
Opening stock	748,214	336,485	1,017,645	355,666
Closing stock	(762,993)	(346,048)	(762,993)	(346,048)
	<u>(14,779)</u>	<u>(9,563)</u>	<u>254,652</u>	<u>9,618</u>
	<u>9,275,141</u>	<u>7,725,151</u>	<u>5,080,256</u>	<u>4,189,306</u>
<b>25. OTHER INCOME</b>				
Sale of scrap	28,476	24,179	15,370	14,905
Insurance agency commission from associated company	6,000	6,000	3,000	3,000
Gain on sale of operating fixed assets – net	2,027	836	2,027	124
Liabilities no longer payable written back	5,120	-	-	-
Others	955	132	(533)	(457)
	<u>42,578</u>	<u>31,147</u>	<u>19,864</u>	<u>17,572</u>



# Notes to the Condensed Interim Financial Information

for the period ended December 31, 2018 (Un-audited)

	Half year ended		Quarter ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	(Rupees in thousands)			
<b>26. FINANCE COST</b>				
Long-term financing - banks				
Islamic mode	28,235	38,400	14,177	18,231
Conventional mode	57,621	56,351	29,754	26,935
	85,856	94,751	43,931	45,166
Long term loan - associated undertakings / Director	83,799	43,646	52,940	26,710
	169,655	138,397	96,871	71,876
Short term borrowings - banks				
Islamic mode	7,615	4,982	4,969	1,439
Conventional mode	143,253	84,848	81,430	41,113
	150,868	89,830	86,399	42,552
Short term loan - associated undertakings / Director	4,862	-	4,862	-
	155,730	89,830	91,261	42,552
Workers' Profit Participation Fund	899	987	-	-
Net exchange loss on import credit finances - Conventional mode	-	5,121	-	-
Bank charges and commission	3,311	2,490	2,154	1,945
	329,595	236,825	190,286	116,373

## 27. EARNINGS PER SHARE - BASIC AND DILUTED

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

Profit for the period	487,697	434,482	283,923	282,925
Less: Dividend attributable to cumulative preference shares	(31,584)	(32,756)	(11,004)	(16,469)
Profit attributable to ordinary shareholders	456,113	401,726	272,919	266,456
Weighted average number of ordinary shares (in thousands)	147,018	147,018	147,018	147,018
Basic earnings per share (Rupees)	3.10	2.73	1.86	1.81

There is no dilutive effect on the basic earnings per shares of the Company.

		December 31, 2018	December 31, 2017
	Note	(Rupees in thousands)	
<b>28. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		648,288	622,720
Adjustment for non cash charges and other items:			
Depreciation		481,984	473,746
Amortization of intangible assets		730	439
Gain on sale of operating fixed assets		(2,027)	(836)
Provision for gratuity		17,137	14,536
Provision for slow moving stores and spares		3,000	3,000
Workers' Profit Participation Fund		34,817	33,444
Finance cost		329,595	236,825
Working capital changes	28.1	(698,407)	(448,932)
		166,829	312,222
		815,117	934,942



# Notes to the Condensed Interim Financial Information

for the period ended December 31, 2018 (Un-audited)

**December 31, 2018**    **December 31, 2017**  
(Rupees in thousands)

## 28.1 Changes in working capital

(Increase) / decrease in current assets		
Stores and spares	(89,965)	78,286
Stock-in-trade	(356,008)	(277,630)
Trade debts	(401,549)	(441,975)
Loans and advances	(29,708)	(3,222)
Trade deposits and short-term prepayments	26,972	27,316
Other receivables	(5,447)	(3,622)
Tax refunds due for Government	37,960	-
	(817,745)	(620,847)
Increase in current liabilities		
Trade and other payables	119,338	171,915
	(698,407)	(448,932)

## 29 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

Nature of transaction	Nature of Relation	Basis of Relation	Half year ended		Quarter ended	
			December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
(Rupees in thousands)						
Sale of goods, Services and Reimbursement of expenses						
Merit Packaging Limited	Associated company	Common Director	914,696	719,225	543,443	390,667
Colgate Palmolive (Pakistan) Limited	Associated company	Common Director	304,210	284,241	167,742	147,047
Century Insurance Company Limited	Associated company	Common Director and 0.43% shares held	320	93	161	33
Cyber Internet Services (Private) Limited	Associated company	Common Director	666	244	393	174
Purchase of goods, Services and Reimbursement of expenses						
Century Insurance Company Limited	Associated company	Common Director and 0.43% shares held	42,627	39,853	13,522	19,044
Merit Packaging Limited	Associated company	Common Director	11,468	16,437	4,881	11,122
Lakson Business Solutions Limited	Associated company	Common Director	2,376	2,065	1,219	1,183
Hassanali and Gulbanoo Lakhani Foundation	Associated undertaking	Trustee	1,661	1,618	762	1,049
Princeton Travels (Private) Limited	Associated company	Common Director	7,494	8,135	4,217	4,737
SIZA Services (Private) Limited	Associated company	Common Director and 22.81% shares held	1,784	1,547	892	1,547
Cyber Internet Services (Private) Limited	Associated company	Common Director	1,819	861	483	454
SIZA (Private) Limited	Associated company	Common Director and 27.31% shares held	656	296	223	252

## Notes to the Condensed Interim Financial Information

for the period ended December 31, 2018 (Un-audited)

Nature of transaction	Nature of Relation	Basis of Relation	Half year ended		Quarter ended	
			December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
(Rupees in thousands)						
Colgate Palmolive (Pakistan) Limited	Associated company	Common Director	113	56	48	22
Express Publications (Private) Limited	Associated company	Common Management	289	1,518	-	1,518
SIZA Foods (Private) Limited	Associated company	Common Director	245	156	127	113
Rent and other allied charges						
Hassanali and Gulbanoo Lakhani Foundation	Associated undertaking	Trustee	3,115	2,852	1,561	1,461
SIZA (Private) Limited	Associated company	Common Director and 27.31% shares held	1,632	1,323	706	662
SIZA Services (Private) Limited	Associated company	Common Director and 22.81% shares held	305	295	153	147
SIZA Commodities (Private) Limited	Associated company	Common Director and 8.50% shares held	75	126	38	126
Insurance Agency Commission						
Century Insurance Company Limited	Associated company	Common Director and 0.43% shares held	6,000	6,000	3,000	3,000
Donation						
The Layton Rahmatulla Benevolent Trust	Related Party	Trustee	500	-	500	-
Mark-up accrued						
SIZA Commodities (Private) Limited	Associated company	Common Director and 8.5% shares held	42,601	33,498	23,899	16,762
SIZA (Private) Limited	Associated company	Common Director and 27.31% shares held	10,422	-	10,422	-
SIZA Services (Private) Limited	Associated company	Common Director and 22.18% shares held	4,169	-	4,169	-
Mr. Iqbal Ali Lakhani	Director	Directorship	26,607	10,148	14,450	9,948
Long term loan obtained						
SIZA Commodities (Private) Limited	Associated company	Common Director and 8.5% shares held	100,000	-	100,000	-
SIZA (Private) Limited	Associated company	Common Director and 27.31% shares held	625,000	-	625,000	-
SIZA Services (Private) Limited	Associated company	Common Director and 22.18% shares held	250,000	-	250,000	-
Mr. Iqbal Ali Lakhani	Director	Directorship	-	650,000	-	100,000

## Notes to the Condensed Interim Financial Information

for the period ended December 31, 2018 (Un-audited)

Nature of transaction	Nature of Relation	Basis of Relation	Half year ended		Quarter ended	
			December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
(Rupees in thousands)						
Dividend on Ordinary Shares						
Premier Fashions (Private) Ltd	Associated company	Common Director and 8.93% shares held	9,293	18,586	9,293	18,586
SIZA (Private) Limited	Associated company	Common Director and 27.31% shares held	30,113	60,226	30,113	60,226
SIZA Commodities (Private) Limited	Associated company	Common Director and 8.5% shares held	9,375	18,749	9,375	18,749
SIZA Services (Private) Limited	Associated company	Common Director and 22.18% shares held	24,461	48,922	24,461	48,922
Dividend on Preference Shares						
Premier Fashions (Private) Ltd	Associated company	Common Director and 8.93% shares held	7,419	1,685	7,419	1,685
SIZA (Private) Limited	Associated company	Common Director and 27.31% shares held	51,847	11,775	51,847	11,775
SIZA Commodities (Private) Limited	Associated company	Common Director and 8.5% shares held	8,871	2,015	8,871	2,015
SIZA Services (Private) Limited	Associated company	Common Director and 22.18% shares held	19,528	4,435	19,528	4,435
Others						
Contribution to Staff Retirement Benefit Plans	Employees Fund		43,569	40,083	22,540	20,279
Remuneration and other benefits	Key Management Personnel		98,133	94,622	42,926	39,415
			Note	December 31, 2018	June 30, 2018 (Audited)	
				(Rupees in thousands)		

### 29.1 Period / year end balances

Receivable from related parties	553,499	343,025
Payable to related parties	39,990	88,972
Payable to retirement benefit plan	79,729	84,265
Long-term financing from associated undertaking / Director	2,625,000	1,650,000

29.2 The current and corresponding period figures includes remunerations of Company's Executives whose basic salary exceeds twelve hundred thousand rupees in a financial year as stipulated in Companies Act, 2017.

## Notes to the Condensed Interim Financial Information

for the period ended December 31, 2018 (Un-audited)

### 30. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objective and policies are consistent with that disclosed in the annual financial statements for the year ended June 30, 2018.

### 31. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of all financial assets and liabilities reflected in the condensed interim financial information approximate their fair values. Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset either directly or derived from prices.

Level 3: inputs for the asset or liability that are not based on observable market data (unadjusted) inputs.

#### Transfers during the period

During the period ended December 31, 2018, there were no transfers between level 1 and level 2 fair value measurement and into or out of Level 3 fair value measurements.

### 32. NUMBER OF EMPLOYEES

- a) The number of employees as at half year ended December 31, 2018 was 1,660 (June 30, 2018: 1,646) and average number of employees during the period was 1,653 (June 30, 2018: 1,589).
- b) The number of factory employees as at half year ended December 31, 2018 was 1,561 (June 30, 2018: 1,307) and average number of factory employees during the period was 1,554 (June 30, 2018: 1,268).

### 33. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on February 25, 2019 by the Board of Directors of the Company.

### 34. CORRESPONDING FIGURES

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


### 35. GENERAL

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



  
**AFTAB AHMAD**  
Chief Executive Officer

  
**TASLEEMUDDIN AHMED BATLAY**  
Director

  
**MUHAMMAD RASHID DASTAGIR**  
Chief Financial Officer

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