

# Annual Report 2015

*Security Papers*  
LIMITED

OHSAS 18001: 2007, ISO 9001:2008 & ISO 14001:2004 Certified





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## History of Major Events

<b>Incorporation of the Company (as a private Company)</b>	<b>1965</b>
<b>Signing of contract for the supply of Paper Machine-1 (PM-1) with Mills-Paugh, U. K.</b>	<b>1966</b>
<b>Conversion into public Company</b>	<b>1967</b>
<b>Listing on the Karachi Stock Exchange</b>	<b>1967</b>
<b>Start of commercial production of PM-1</b>	<b>1969</b>
<b>Signing of contract for supply of Paper Machine-2 (PM-2) with Voith Paper, Germany (Obsolete PM-1 made redundant and scrapped)</b>	<b>2001</b>
<b>Start of Commercial Production of PM-2</b>	<b>2003</b>
<b>Formal inauguration of PM-2 by the Prime Minister</b>	<b>2004</b>
<b>Installation of Reverse Osmosis (RO) Plant</b>	<b>2006</b>
<b>Commissioning of Co-Generation Power Plant</b>	<b>2009</b>
<b>Modification and upgrading of plant</b>	<b>2011</b>
<b>Commissioning of new Mould Cover preparation building</b>	<b>2012</b>
<b>Commissioning of Dry Cleaning Plant</b>	<b>2014</b>
<b>Commissioning of Thread Unwind System</b>	<b>2015</b>



# Board of Director



Kazi Abdul Muktadir  
Chairman



Sheikh Mohammad  
Aijaz Akhtar



Ayla Akin



Jamal Nasim



Muhammad Misbah Tunio  
Chief Executive Officer



Ajaz Ali Khan



Dr. Abolghassem Jamshidi



Muhammad Ayub



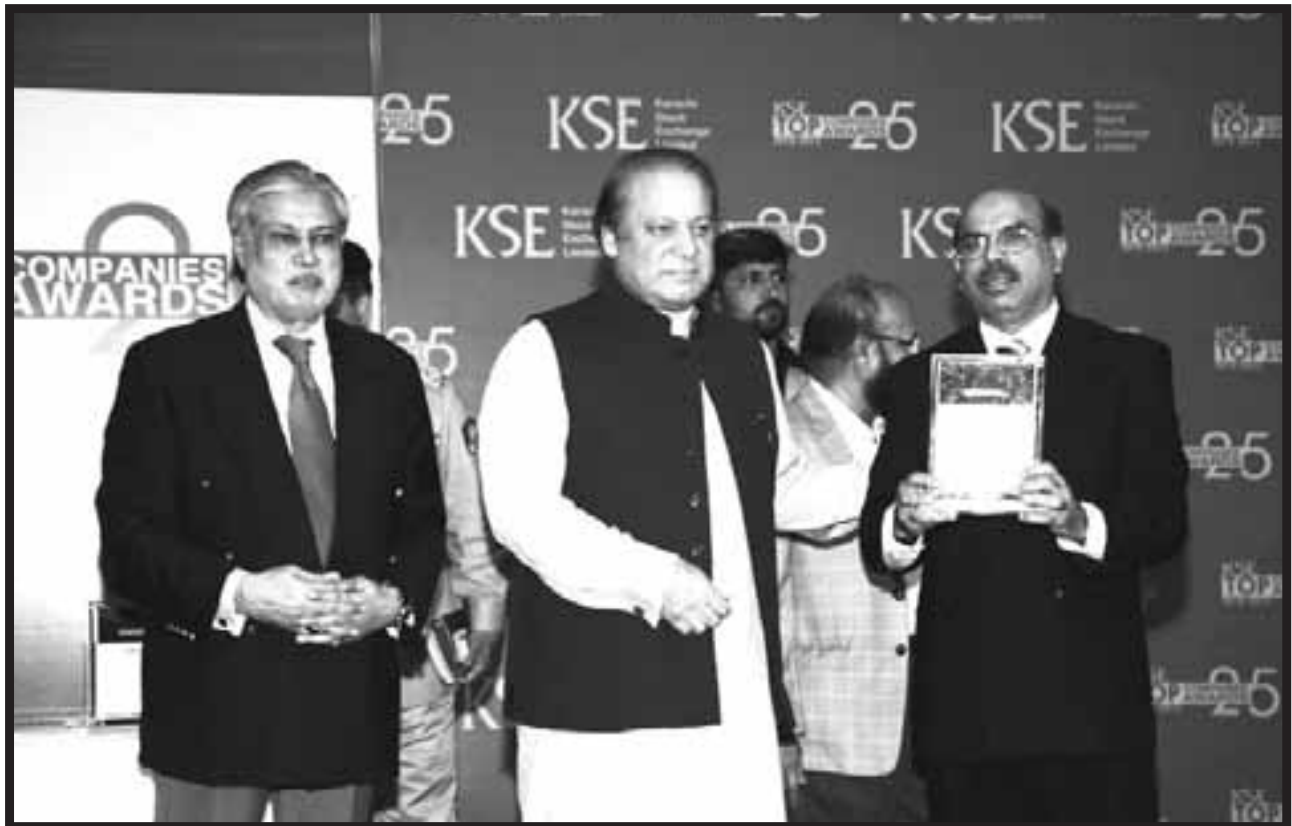
Ch Mehboob Ilahi



Shamsuddin Soomro



## Corporate Award



Top Companies Award 2013

## Chairman's Review

I am pleased to report that 2015 has not only been another year of good performance for Security Papers Limited but a milestone in achieving certain goals. A healthy bottom line was achieved due to a well planned strategy and a stable management team enabling the Company to deliver consistent value for our shareholders. Your Company has attained an all-time record profit after tax of Rs 506 million in a challenging business environment.

To pass on the benefit of this achievement to the shareholders, the Board recommended payment of 60% cash dividend for the financial year 2014-15.

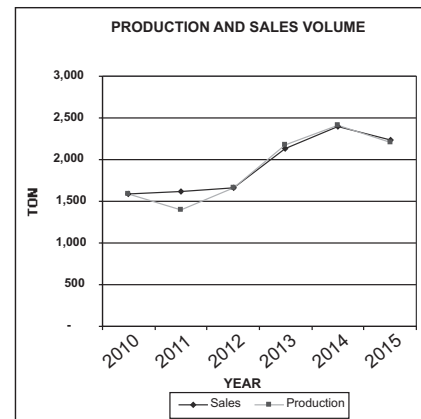
### Business and Performance Review

Strategically the Company remained on course in realizing our vision of providing highest quality banknote and security paper to our customers. The Company had performed very well on the financial as well as operational front. The operational results recorded for the year under review demonstrate performance consolidation.

The Company achieved impressive growth in its operations during the year. Operational excellence and management skills have positioned the Company to achieve sustained and qualitative growth in the long run. The Board closely monitored the performance of the business with a focus to achieve continued improvements in productivity and efficiency while optimizing cost and processes to ensure sustained growth of the Company.

### Production

The management of the Company remained committed to produce and deliver paper as per the customers' requirements. The Company produced 2,210 tons banknote and other security papers as against 2,405 tons last year. The supply chain team ensured continuous availability of goods and services by working closely with all vendors. The cost of production had been kept at optimum level through effective utilization of resources and by controlling production wastages and maximizing output to achieve efficiency. No major operational problems occurred and technical matters were handled well by trained and experienced engineers and technicians.



### Sales

The Company achieved a sales volume of 2,237 tons as against 2,399 tons last year. The sales value during the year under review decreased by Rs 95 million owing to low demand for other security paper.

During the year under review the Company had successfully negotiated sales price increase with its major customer Pakistan Security Printing Corporation (Pvt.) Limited.

### Plant Upgrade

The Company is continually pursuing an ambitious program of plant upgrade with a view to modernize its production facilities in phases. The objective was to improve efficiency and quality of the product. During the year the installation of the following projects was completed:

#### Dry Cleaning Unit (DCU)

The DCU is a state of the art automatic system of German origin to clean the raw material before putting it into the pulping process. Since the commissioning of the plant there was a marked improvement in the quality of paper which had resulted in higher level of customers' satisfaction.

#### Thread Unwind System (TUS)

The TUS was installed to switch over from manual feed system to automatic thread feeding system. The new system is working satisfactorily, thus helping in controlling thread related defects and improvement in the quality of paper.



## Chairman's Review

### Internal Audit

Internal Audit function is an independent appraisal activity within the Company engaged in continuous review of operations. Internal audit reviews were risk-based and impartial that also ensured that the audit cycle resulted in genuine value addition to the Company's operation. Internal Audit procedures were guided by the principles of independence, objectivity and value addition. The outcome of these procedures is operational efficiency, safeguard of Company's interests and establishment and observance of internal controls.

### Information Systems

Information systems were developed to support the Company's long term objectives and were managed by a professionally staffed team which carried out notable enhancements during the year under review. The Company is moving fast towards the implementation of unified and secure information systems. Various steps have been taken to improve information Technology (IT) infrastructure with a view to increase operational efficiency.

### Strategic Plan

The business agenda is determined by the strategy which has been revised and updated continuously, setting out targets for financial return and service standards, and identifying and prioritizing improvement opportunities to deliver those targets. The strategic planning process confirms that the targeted results would be achieved and establishes robust performance indicators which can be used to evaluate departments. The Board on an annual basis approved a detailed financial plan which also incorporated the business strategy. Progress against the plan was reviewed regularly.

### Business Continuity / Disaster Recovery Plan

The Company had the following measures in place to ensure business continuity in case of any disruptive events:

- Comprehensive and state of the art security system employing human and electronic resources, to monitor activity within and without the factory premises
- Comprehensive fire prevention system accomplished through mechanical installations as well as frequent trainings of all staff
- Backups of the Management Information System (MIS) data were taken regularly and stored in a safe location
- Adequate insurance arrangements had been made to safeguard against any loss of man or material resulting from natural or man-made threats
- Succession planning has been in place to ensure continued efficient and effective operations regardless of changing composition of management positions

### Business Process Re-engineering

The Company's Business process re-engineering initiative focused on analyses and design of work flows and processes to help the organization to improve customer service and control operational costs. During the year under review business process re-engineering efforts had resulted in reduction in production losses and improvement in quality of paper.

### Research & Development

To meet future challenges, we are constantly searching for areas of improvement. To achieve this end, we are continually engaged in balancing, up-grade and modernization of development and research activities. We feel that research and development activities were the backbone for attaining sustainability in growth. Efforts are already underway to reduce process and material losses by continuous improvement in testing and processing methodology not only to increase plant efficiency but also maximize customer satisfaction.

### The Integrated Management System

The Company was continually demonstrating its strong commitment to sustainability. An internationally recognized Integrated Management System (IMS) for Occupational Health and Safety, Environment and Quality had been enforced which comprise of the following management systems:



## Chairman's Review

### The Occupational Health and Safety Management System (OHSAS 18001:2007)

A comprehensive documented system with appropriate standard operating procedures / manuals and specifications had been established to reduce and eliminate unsafe and unhealthy work practices / conditions and to ensure health, safety, fire, hygiene and security.

A detailed Occupational Health and Safety "Hazards Identification and Risk Assessment and Controls" (HIRAC) had been implemented for normal and emergency situations (covering routine and non-routine activities' and natural disasters) within the organization. An Occupational Health and Safety Committee has been established which not only ensures periodic health and Safety Inspection but also follow and investigate timely incident reporting.

Co-workers, employers, customers, suppliers, family members, nearby communities, contract worker, visitors and other members of the public who are influenced by the workplace activities are protected.



### The Environment Management System (ISO 14001: 2004)

The recertification of ISO 14001:2004 confirmed that we had been maintaining and improving environmental programs in a comprehensive, systematic, planned and documented manner. It includes the organizational structure, planning, Environmental Risk Management with life Cycle of critical aspects and resources for developing, implementing and maintaining policy for environmental protection.

Environmental Objectives and Policy include, compliance with regulatory standards such as National Environment and Quality Standard (NEQS) and Environment Protection Agency (EPA) Standards, etc.

A detailed aspect impact analysis is done regularly to manage and control environmental risks associated with routine and non routine operational activities including emergency response during handling solid, liquid effluent, Noise and stack emission.

We are mindful of the reduction of waste and more efficient use of natural resources (electricity, water, gas and fuels), and are following global practices for environmental labeling, performance evaluation and life-cycle assessment helping and maintaining ecological balance such as ozone depletion and other social and health related issues.



The periodic internal as well as external audit is regularly conducted by independent certification body.

As a responsible corporate organization, management is committed to keep SPL a 'green organization'.



## Chairman's Review

### Quality Management System (ISO 9001:2008)

Keeping in view long term sustainable development, a documented Quality Management System (QMS) has been established and maintained to determine processes needed for their application throughout the organization, and continually improve its effectiveness to meet customer satisfaction. Customers' feedback survey has been conducted regularly for long lasting relationship with customers and suppliers to prevent complaints. Periodic Internal and external surveillance audits have been conducted and reported to top management for review at regular intervals.



### Annual Environmental Excellence Award (AEEA) 2013

The Company has won Environment Excellence Award (AEEA) 2013 conferred by National Forum for Environmental Health (NFEH). This demonstrates our commitment to environmental preservation and its effective management.

The award has been instituted to recognize and promote the organizations making outstanding contribution to sustainable development and economic growth of the country.

### Corporate Social Responsibility

Being a good corporate citizen, the Company has traditionally played a proactive role. The CSR Policy includes corporate social contributions in the areas of welfare spending for under-privileged classes and community investments.

During the year following donations were made:

Description	Rupees
THAR- Drought Victims	948,027/-
Abdul Sattar Edhi Foundation	500,000/-
Chippa	500,000/-
Akhwat	1,800,000/-
Sindh Institute of Urology & Transplantation	1,000,000/-
Employees Welfare	98,173/-
<b>Total</b>	<b>4,846,200/-</b>

### Contribution to the national exchequer and the economy of the country

During the year under review the Company made contribution to the national exchequer by way of taxes, levies, sales tax etc. amounted to Rs 419.48 million as compared to Rs 433.29 million during the corresponding period. In addition the Company had also made foreign exchange savings of US\$ 21.05 million (approx) through import substitution during the year as compared to US\$ 22.36 million in the corresponding period.

### Human Resource

At SPL, people come to work each day with energy, enthusiasm and a commitment to provide highest quality paper to our customers. Our mission is to attract, develop, motivate and retain the most talented and dedicated employees who are committed to ensure the Company's success. HR Department strives to create an environment in which employees can realize their full potential through professional development programs.

## Chairman's Review

Some key objectives which drive the Human Resources function at SPL include:

- o Attracting the best and diverse pool of talent from various backgrounds, cultures and a wide range of expertise
- o Retaining talent by providing opportunities for personal and professional growth.

We have identified employees with an objective of enabling them to advance their careers by offering opportunities that can groom them for senior management positions. Many employees were given opportunities to enrich their work experience through job rotation and on the job training within different functions and sections. Where possible, such movements are encouraged to give employees exposure to develop multiple skills and broaden their horizons.

Employees' Welfare Fund - A Welfare Fund has been launched to facilitate the deserving employees.

Healthcare Facilities - Caring is central to the work that we do to help people live healthier lives. We have inducted a Professional Consultant to provide better healthcare facilities and equip our first aid centre. We have also recently covered the parents of the employees for health insurance.

### Statement of Ethical Practices

The Company had a comprehensive code of ethics and business practices. All employees must avoid conflict of interest between their private financial activities and conduct of Company's business. All business transactions on behalf of Security Papers Limited were reflected accordingly in the accounts of the Company.

Every employee shall be responsible to see that there is no violation of laws within his/her area of responsibility which proper supervision could have prevented. The employee shall still be responsible if he/she delegates particular tasks.

### Top Companies Award

The Company has the distinction of receiving Top Companies Award of the Karachi Stock Exchange Limited (KSE) for the year 2000 to 2007 and again consecutively for the last five years from 2009 to 2013.

The award is conferred by KSE on the basis of comprehensive criteria which include Dividend Payout, Capital Efficiency, Profitability, Free-Float of Shares, Turnover of Shares, Corporate Social Responsibilities, Transparency & Investors Relation and compliance with Listing Regulations.

### Forward Looking

Going forward, there are considerable macro economic, political and social challenges. We remain cautious on the economic outlook; however, the fundamentals of the economy going forward in the backdrop of the recent policy and reform measures look stable. We continue to focus on innovations, increased customer focus and a strong performance culture within the organization. Our people continue to remain crucial for the growth of business. We believe that the Company is well positioned to capitalize on growth opportunities in the coming year and is working to enhance its productive capacity through innovative plant upgrade and optimization that will be to the benefit of our shareholders, employees and customers.

### Acknowledgement

On behalf of the Board, I would like to record my gratitude to extremely valued shareholders, customers, suppliers, contractors, bankers and other stakeholders for their support, trust and confidence. Thanks are also due to all the employees for their loyalty, dedication and hard work which enabled the Company to achieve its objectives.

**KAZI ABDUL MUKTADIR**  
Chairman

Karachi  
Dated: 31 July 2015



# Directors' Report

The Directors of the Company are pleased to present the Annual Report of the Company along with the Audited Financial Statements for the year ended 30 June 2015.

## Financial Results

The operating results of the Company for the year ended 30 June 2015 are summarized as follows:

	2015 (Rupees in '000)	2014
Profit before taxation	<b>703,301</b>	610,671
Taxation		
Current - for the year	<b>213,927</b>	217,866
Current - for prior year	<b>4,509</b>	8,242
	<b>218,436</b>	226,108
Deferred	<b>(21,048)</b>	(27,294)
	<b>197,388</b>	198,814
Profit after taxation	<b>505,913</b>	411,857

## Subsequent Appropriations

The Directors had recommended cash dividend of Rs 6/- per share, i.e., 60% (2014: (i) cash dividend Rs 5.00 per share, i.e., 50% and (ii) bonus shares @ 20%), and appropriation of Rs 150.37 million (2014: Rs 66.20 million) to revenue reserves.

These appropriations would be reflected in the subsequent financial statements, in compliance with the revised Fourth Schedule to the Companies Ordinance, 1984.

## Earnings per share

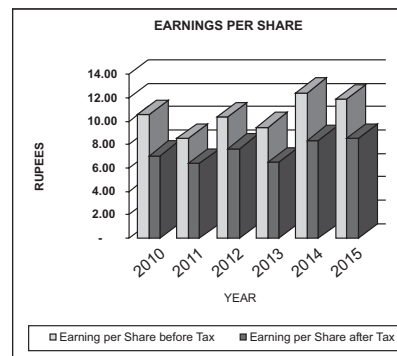
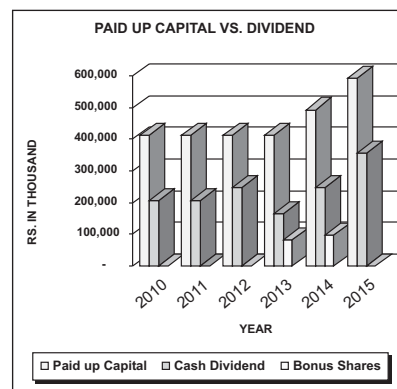
The earnings per share (EPS) - before and after taxation was Rs11.87 and Rs 8.54 (2014: Rs 10.30 and Rs 6.95) respectively.

## Operating Results

During the year under review, the net sales revenue was lower by Rs 95.07 million as compared to the previous year mainly due to lower demand for other security paper.

The Company earned gross profit of Rs 675.72 million during the year under review as compared to Rs 660.81 million in the previous year. The increase in gross profit during the current year as compared to the corresponding year was mainly attributable to operational efficiencies and increase in selling prices.

Other operating income increased by Rs 68.51 million during the current year as compared to the previous year mainly due to better returns on investment of surplus funds.



## Directors' Report

The profit after tax of Rs 505.91 million had been earned for the year as compared to Rs 411.86 million during the previous year. The increase in Company's profitability during the year under review was mainly due to effective inventory management and better returns from investments of surplus funds.

### Market and book value per share

The book value per share stood at Rs 67.84 as against Rs 61.93 in the previous year. The before and after tax return on equity worked out to be 17.49% and 12.58% as compared to 16.64% and 11.22% in the corresponding period respectively.

The average market price during the year remained at Rs 75.50 (2014: Rs 65.46) per share. The market price as of 30 June 2015 was Rs 88.56 (2014: Rs 70.00)

### Cash Flow Management

During the year under review an amount of Rs 488.22 million was generated from the operating activities of the Company and Rs 192.42 million received on account of mark up on investment. The Company made an investment of Rs 154.67 million in Islamic Mutual Funds. The Company had paid an amount of Rs161.21 million on account of repayment of long term loan and Rs160.21 million had been paid as dividend to the shareholders.

### Long term debt equity and current ratios

The long term debt-equity and the current ratios of the Company as at 30 June 2015 worked out to 0.01:1 and 2.32:1 (2014: 0.05:1 and 2.02:1) respectively. The improvement in debt-equity ratio was due to repayments made against long term loan. However, the current ratio declined mainly due to investment of surplus funds in long term investments.

### Material changes and commitments

No material changes and commitments affecting the financial position of the Company had occurred between the end of the financial year of the Company to which the balance sheet relates and the date of the report.

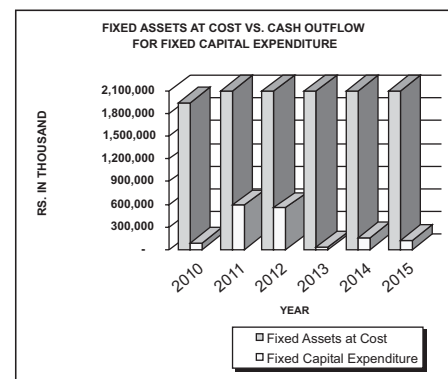
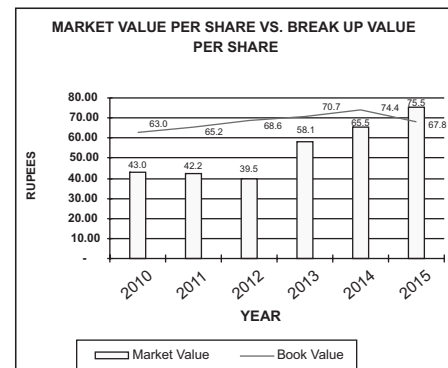
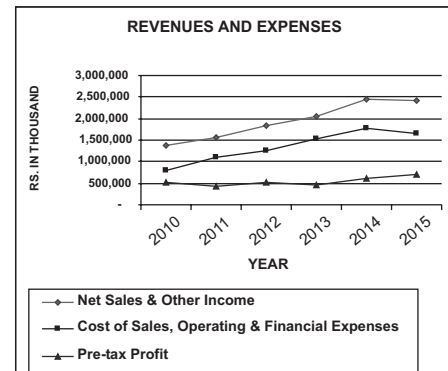
### Financial Statements

The auditors of the Company, M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, audited the financial statements of the Company and had issued an unqualified report to the members.

### Auditors

The auditors, M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire at the conclusion of the Annual General Meeting. Being eligible, they had offered themselves for re-appointment.

As suggested by the Audit Committee, the Board recommended the appointment of M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as auditors of the Company for the year 2015-16.







## Directors' Report

### Board and Committee Changes

The following changes had taken place since the previous year's Annual Report:

Mr. Kazi Abdul Muktadir was appointed as Chairman of the Board of Directors in place of Mr. Mustapha A. Chinoy.

Mr. Muhammad Misbah Tunio was appointed as Chief Executive Officer of the Company in place of Mrs. Naiyer Muzafar Husain.

Sheikh Mohammad Aijaz Akhtar, Mr. Jamal Nasim, Mr. Ajaz Ali Khan and Mr. Muhammad Ayub were elected to the Board of Directors at the Annual General Meeting held on 29 August 2014.

Ch. Mehboob Elahi joined the Board in place of Mr. Mazhar-ul-Hassan Shah while Mr. Muhammad Wajid Jamil joined the Board in place of Mr. Rizwan Ahmad. Subsequently, Mr. Shamsuddin Soomro joined the Board in place of Mr. Muhammad Wajid Jamil.

As a result of foregoing changes on the Board of Directors of the Company, necessary consequential changes were made on various Board Committees.

The Board welcomed the new members and appreciated the valuable contribution of the outgoing members while they were on the Board of Directors and its various Committees.

### Compliance with the Code of Corporate Governance

The "Statement of Compliance with the Code of Corporate Governance" (CCG) is annexed (page 30).

### Statement on Corporate and Financial Reporting Framework

- a. The financial statements, prepared by the management of the Company, present its state of affairs fairly, the results of its operations, cash flows and changes in equity.
- b. Proper books of account of the Company have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. The International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
- e. The system of internal control was sound in design and had been effectively implemented and monitored:  
and
- f. There were no significant doubts upon the Company's ability to continue as a going concern.
- g. Key operating and financial data of last six years in summarized form was annexed (page 26).
- h. Outstanding taxes and levies had been adequately disclosed in the annexed audited financial statements.

## Directors' Report

- i. The following was the value of investments based on respective latest audited accounts: (i) Provident Fund Rs 263.795 million (ii) Gratuity Fund Rs 254.385 million.
- j. The detail of number of Board and Committee meetings held during the year and attendance by each Director is as follows:

Name of Directors	Board		Committees					
			Audit		Human Resource & Remuneration		Investment *	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Mr. Kazi Abdul Muktadir	10	9	7	6				
Sheikh Mohammad Aijaz Akhtar	10	6	7	7	3	2		
Mrs. Ayla Akin - (Turkey)	10	0						
Mr. Jamal Nasim	10	10	1	1	16	16	6	6
Mr. Muhammad Misbah Tunio	10	10	1	1	13	13	6	6
Mr. Ajaz Ali Khan	10	10			13	13		
Dr. Abolghassem Jamshidi	10	8	6	5				
Mr. Muhammad Ayub	9	9	6	6			6	6
Ch. Mehboob Ilahi	5	5						
Mr. Shamsuddin Soomro	2	2						
<b>Outgoing Directors</b>								
Mr. Mustapha A. Chinoy	1	1	1	1	3	3		
Mr. Mazhar-ul-Hassan Shah	3	3						
Mr. Rizwan Ahmed	7	7	2	2	2	2		
Mr. Wajid Jamil	1	1						
Mrs. Naiyer Muzafar Husain (Chief Executive Officer)	1	1			3	3		

- k. During the year Mr. Ajaz Ali Khan, Muhammad Ayub and Mr. Shamsuddin Soomro had completed Directors' Training Program. In addition Dr. Abolghassem Jamshidi - (Iran) met the criteria of exemption under the Code of Corporate Governance and was accordingly exempted from Directors' Training Program.
- l. The pattern of shareholding was annexed (page 77).
- m. No trading in Company's shares was carried out by its Directors, CEO, CFO, Company Secretary, Head of Internal Audit, other Executives and their spouse(s) and minor children.

### The Economy

The GDP growth accelerated to 4.24 percent in 2014-15 against the growth of 4.03 percent recorded in the same period last year. The growth momentum was broad based, as all sectors namely agriculture, industry and services had supported economic growth. The agriculture sector accounts for 20.9 percent of GDP. Industrial sector continued growth process and recorded growth at 3.62 percent as compared to 4.45 percent last year. Growth of manufacturing was registered at 3.17 percent compared to the growth of 4.46 percent last year. Small scale manufacturing witnessed growth at 8.24 percent against the growth of 8.29 percent last year Large Scale Manufacturing (LSM) had registered the growth of 2.38 percent as compared to the growth of 3.99 percent last year. The Services sector had witnessed a growth rate of 4.95 percent as compared to 4.37 percent last year. The inflation rate measured by the changes in CPI, averaged at 4.8 percent during July-April, 2014-15 against 8.7 percent in the comparable period last year. Worker's remittances recorded an increase of 16.1 percent during Jul-Apr 2014-15 and reached to \$ 14,969.7 million as against \$ 12,897.9 million in the comparable period of last year. Foreign exchange reserves improved substantially and reached US \$ 17.8 billion by end of April 2015, from US \$ 14.2 billion at end June 2014.



## **Directors' Report**

### **Chairman's Review**

The Board of Directors endorse the contents of the Chairman's Review annexed (page 05).

On behalf of the Board of Directors

### **MUHAMMAD MISBAH TUNIO**

Chief Executive Officer

Karachi

Dated: 31 July 2015

## Criteria to Evaluate Board's Performance

Following areas of responsibility forms the basis of criteria to evaluate Board's performance:

- a. Adherence to the laws, rules and regulations, etc. as laid down under the Companies Ordinance, 1984 and as may be specified from time to time by the Securities and Exchange Commission of Pakistan, the Memorandum and Articles of Association of the Company and the Listing Regulations of Stock Exchange.
- b. Adherence to the requirements of the Code of Corporate Governance in all material respects.
- c. Determining and monitoring the Company's values to be applied in all its operations.
- d. Establishing and evaluating strategic direction of the Company.
- e. Approving Company's policies and monitoring implementation.
- f. Ensuring adequate financial resources.
- g. Ensuring risk management and ways to mitigate the risks.
- h. Providing effective fiscal oversight.
- i. Delegating to Board's Committees.
- j. Approving hiring, compensation, salary reviews, and dismissals of top management.
- k. Overseeing the succession planning of the Company's top management
- l. Ensuring that the Company has defined the operating principles of internal control and monitors the functions of such control.
- m. Supporting the Chief Executive.
- n. Enhancing Company's public image.

*A mechanism is in place for an annual evaluation of the Board's own performance on the basis of foregoing criteria.*



## Shareholders' Information

### Annual General Meeting

The Annual General Meeting of Security Papers Limited will be held on Friday, the 28 August 2015 at 11:00 AM at Hotel Ramada Plaza Karachi, Star Avenue, Terminal No.1, Jinnah International Airport, Karachi.

Eligible shareholders are encouraged to participate and vote.

### Registered Office

Jinnah Avenue, Malir Halt, Karachi-75100  
Telephone: (+9221) 99248285  
Fax: (+9221) 99248286  
E-mail: [comsec@security-papers.com](mailto:comsec@security-papers.com)  
Website: <http://www.security-papers.com>

### Share Registrar

FAMCO Associates (Pvt.) Limited  
8-F, Next to Hotel Faran, Nursery,  
Block-6, P.E.C.H.S., Sharah-e-Faisal, Karachi.  
Tel: (+9221) 34380101-5  
Fax: (+9221) 34380106  
[info.shares@famco.com.pk](mailto:info.shares@famco.com.pk)  
Timings: 8:30 AM to 1:00 PM & 2:00 PM to 3:30 PM

### Auditors

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

### Investor Relations Contact

Muhammad Abdul Aleem  
Company Secretary  
Telephone: (+9221) 99248285  
Fax: (+9221) 99248286  
E-mail: [comsec@security-papers.com](mailto:comsec@security-papers.com)

### Web Reference

The Company maintains a functional website. Annual, Half-yearly and Quarterly reports are regularly posted at the Company's website <http://www.security-papers.com>.

### Stock Exchange Listing

Security Papers Limited is listed on Karachi Stock Exchange Limited. The symbol code for dealing in shares of the Company is SEPL.

Karachi Stock Exchange Share Prices 2014-15			
Period	Price in Rupees		
	High	Low	Average
1st Quarter - September 30, 2014	68.00	63.50	65.75
2nd Quarter - December 31, 2014	81.70	61.00	71.35
3rd Quarter - March 31, 2015	79.95	62.60	68.88
4th Quarter - June 30, 2015	90.00	69.40	79.70



## Shareholders' Information

### Reporting

Period	Financial Results
1st Quarter - September 30, 2014	October 24, 2014
2nd Quarter - December 31, 2014	January 30, 2015
3rd Quarter - March 31, 2015	April 23, 2015
4th Quarter - June 30, 2015	July 31, 2015

### Financial Results

The Board of Directors of the Company in their meeting held on 31 July 2015 has recommended the following:

#### Cash Dividend

Final cash dividend at the rate of Rs 6/- per share i.e. 60 % for the year ended 30 June 2015.

#### CNIC / NTN Number on Dividend Warrant (Mandatory)

As has already been notified from time to time, the Securities and Exchange Commission of Pakistan (SECP) vide Notification S.R.O. 19(l)/2014 dated 10th January 2014 read with Notification S.R.O. 831(1)/2012 dated July 5, 2012 required that the Dividend Warrant(s) should also bear the Computerized National Identity Card (CNIC) Number of the registered shareholder or the authorized person, except in case of minor(s) and corporate shareholder(s).

Henceforth, issuance of dividend warrant(s) will be subject to submission of CNIC (individuals) / NTN (corporate entities) by shareholders.

#### Deduction of Income Tax From Dividend Under Section 150 the Income Tax Ordinance, 2001 (Mandatory)

- (i) Pursuant to the provisions of the Finance Act 2015 effective July 1, 2015, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:
1. Rate of tax deduction for filer of income tax return 12.5%
  2. Rate of tax deduction for non-filers of income tax return 17.5%

To enable the company to make tax deduction on the amount of cash dividend @ 12.5% instead of 17.5%, shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 17.5% instead of 12.5%

- (ii) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder (s) based on their shareholding proportions, in case of joint accounts.

In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them to our Share Registrar, in writing as follows:



## Shareholders' Information

Company Name	Folio/CDS Account #	Total Shares	Principal Shareholder		Joint Shareholder	
			Name and CNIC #	Shareholding Proportion (No. of Shares)	Name and CNIC #	Shareholding Proportion (No. of Shares)

The required information must reach our Share Registrar within 10 days of this notice, otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s).

- (iii) For any query/problem/information, the investors may contact the Company Secretary at phone: 021-99248285 and email address: [comsec@security-papers.com](mailto:comsec@security-papers.com) and/or FAMCO Associates (Pvt.) Ltd. at phone 021-34380101-5 and email address: [info.shares@famco.com.pk](mailto:info.shares@famco.com.pk)
- (iv) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the company or FAMCO Associates (Pvt.) Ltd. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

### Consent for Electronic Transmission of Audited Financial Statements & Notices (Optional)

The Securities and Exchange Commission of Pakistan (SECP) through its Notification S.R.O. 787(I)/2014 dated 8th September 2014 has permitted companies to circulate Audited Financial Statements along with Notice for Annual General Meeting to its members through e-mail. Accordingly, members are hereby requested to convey their consent and e-mail address for receiving Audited Financial Statements and Notices through e-mail. In order to avail this facility a Standard Request Form is available at the Company's website.

### Dividend Mandate [Optional]

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan (SECP) vide Circular No. 18 of 2012 dated June 05, 2012, it is to inform you that under Section 250 of the Companies Ordinance, 1984 a shareholder may, if so desire, direct the Company to pay dividend through his/her/its bank account.

Further, transferee of shares may exercise option for dividend mandate by using the revised "Form of Transfer Deed" available on Company's website. The revised form of transfer deed will enable the transferees to receive cash dividend directly in their bank accounts, if such transferee provides particulars of its bank account which he/she/it desires to be used for credit of cash dividend.

If they so desires the shareholders have the option to seek the dividend mandate by using the standardized "Dividend Mandate Form" available on Company's website.

### Payment of Cash Dividend Electronically (Optional)

The SECP has initiated e-dividend mechanism through its letter No: 8(4) SM/CDC/2008 dated April 05, 2013. In order to avail benefits of e-dividend (such as instant credit of dividends, no chances of dividend warrants getting lost in the post, undelivered or delivered to the wrong address etc.), shareholders are hereby advised to provide details of their bank mandate specifying: (i) title of account, (ii) account number, (iii) bank name, (iv) branch name, code and address.

## Shareholders' Information

### Delivery of the Unclaimed/Undelivered Shares

Securities and Exchange Commission of Pakistan in their letter dated December 22, 2011 have advised the listed companies and their Share Registrars & Transfer Agents (SRTA) to make every effort to deliver the unclaimed/undelivered shares lying with them, if any, to the respective members/shareholders. Such shares include, shares issued pursuant to Initial Public Offerings (IPOs), Bonus Issues, Right Issues, etc.

Members are requested to contact the Registered Office of the Company or the Share Registrar, M/s. FAMCO Associates (Pvt.) Limited for collection of their shares which were not received due to any reasons.

### Investor Relations

- Shareholders are encouraged to communicate with the Company by any means of communication - Telephone, Fax and/or Email etc.
- They have a right to attend and speak at general meetings of the Company
- All written representations of shareholders are responded on priority
- Shareholders' satisfaction is ensured at all times

### Investor Grievance

Shareholders may lodge complain or grievance at the designated area on the Company's website. The link can be accessed via "Investor Information" tab.



# Vision Statement

"To be a nationally and internationally recognized and accepted security paper producing organization, providing highest quality paper to our customers, both in Pakistan and abroad. "



# Mission Statement

"We are the only national organization producing strategically important security paper products for the nation. We have developed a unique set of strengths and competencies. We wish to build on these assets and will strive continuously to achieve higher levels of excellence.

Our mission is to exceed the expectations of our customers in producing, with security and efficiency, highest quality paper products, employing international best practices and applying an integrated approach to product research and development, manufacturing technology, operations management, counterfeit deterrence, materials procurement, human resource management, financial management and information systems."





## Core Values

1. Striving for continuous improvement and innovation with commitment and responsibility;
2. Treating stakeholders with respect, courtesy and competence;
3. Practicing highest personal and professional integrity;
4. Maintaining teamwork, trust and support, with open and candid communication;
5. Ensuring cost consciousness in all decisions and operations.

## Strategic Goals

- a. Providing Customer Satisfaction by serving with quality products, security paper needs of national and international customers.
- b. Ensuring Quality Manufacturing by production of state-of-the-art security paper products with highest quality at lowest cost.
- c. Deterring Counterfeiting by producing security paper products that have built-in deterrence against counterfeiting so as to contribute to public confidence and facilitation of commercial transactions.
- d. Ensuring Security and Accountability by creating an environment of security and accountability for employees, production facilities and products.
- e. Expanding Customer Base by exploring new national and international markets and undertaking product research and development in security paper.
- f. Ensuring Efficient Resource Management by managing human, financial, technical and infra-structural resources so as to support the above strategic goals and to ensure highest possible value addition to stakeholders.



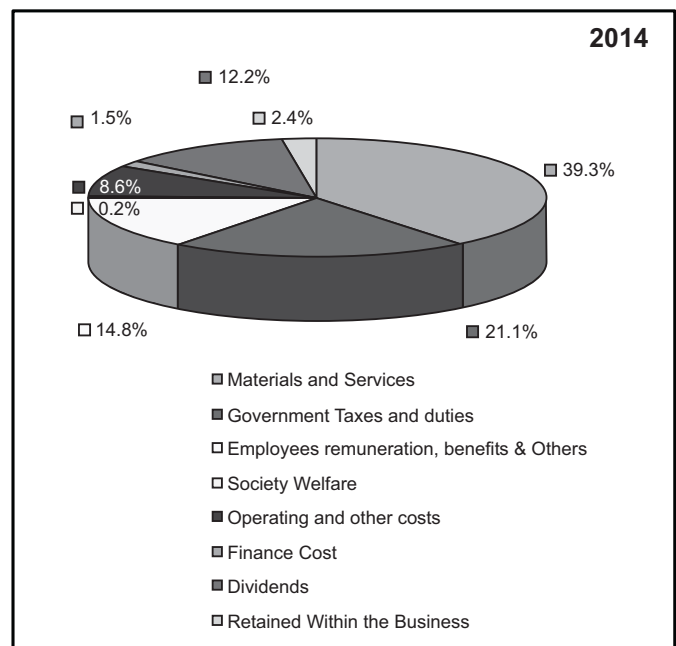
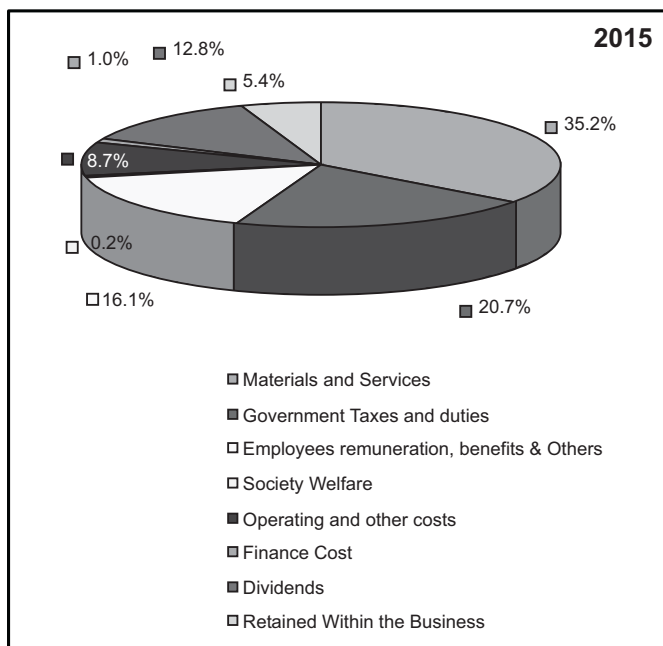
## **Code of ethics and business practices**

1. Maintaining integrity and scrupulous dealings
2. Reporting violations
3. Maintaining correct books and records of the Company
4. Strictly observing the laws of the country
5. Strictly avoiding questionable and improper payments, or use of the Company's assets
6. Strictly avoiding conflicts of interest
7. Strictly avoiding political contributions
8. Expediting payment of amounts due customers, agents or distributors
9. Strictly avoiding giving and receiving of gifts
10. Treating means to be as important as ends

*A detailed policy for actual and perceived conflicts of interest and its resolution relating to the members of the Board of Directors and employees is in place.*

## Statement of Value Addition and its Distribution

	2015	%	2014	%
..... (Rupees in '000) .....				
<b>VALUE ADDITION</b>				
Net Sales including Taxes	2,505,161	89.9%	2,616,304	92.5%
Other Operating Income	282,092	10.1%	213,579	7.5%
	<b>2,787,253</b>	<b>100%</b>	<b>2,829,883</b>	<b>100%</b>
<b>VALUE DISTRIBUTION</b>				
Materials and Services	979,985	35.2%	1,110,804	39.3%
Government Taxes and duties	578,074	20.7%	596,227	21.1%
Employees remuneration, benefits & Others	449,947	16.1%	419,013	14.8%
Society Welfare	4,846	0.17%	5,295	0.19%
Operating and other costs	241,723	8.7%	242,237	8.6%
Finance Cost	26,622	1.0%	42,495	1.5%
Dividends	355,535	12.8%	345,660	12.2%
Retained Within the Business	150,379	5.4%	68,152	2.4%
	<b>2,787,111</b>	<b>100%</b>	<b>2,829,883</b>	<b>100%</b>





## Key Operating and Financial Data

PARTICULARS	2015	2014	2013 Restated	2012 Restated	2011	2010
<b>Financial Position</b>						
Fixed Assets - Net	1,847,614	1,929,736	1,958,464	2,111,951	1,713,993	1,244,364
Investments	1,461,099	1,451,031	582,209	577,710	-	-
Other Assets	15,048	14,561	14,359	24,188	17,436	17,258
	<b>3,323,761</b>	3,395,328	2,555,032	2,713,849	1,731,429	1,261,622
Current Assets	1,827,001	1,505,967	2,253,237	2,040,164	2,564,953	2,372,344
Current Liabilities	788,072	746,833	640,477	540,372	520,822	367,021
Working Capital	1,038,929	759,134	1,612,760	1,499,792	2,044,131	2,005,323
	<b>4,362,690</b>	4,154,462	4,167,792	4,213,641	3,775,560	3,266,945
Less : Long Term Loan	51,927	172,863	331,543	482,112	327,214	9,435
Less: Deferred Liabilities	290,593	311,641	344,548	346,114	228,335	146,825
<b>Net Assets</b>	<b>4,020,170</b>	3,669,958	3,491,701	3,385,415	3,220,011	3,110,685
Paid-up-Capital	592,559	493,799	411,499	411,499	411,499	411,499
Reserves	3,427,611	3,176,159	3,080,202	2,973,916	2,808,512	2,699,186
<b>Shareholders' Equity</b>	<b>4,020,170</b>	3,669,958	3,491,701	3,385,415	3,220,011	3,110,685
<b>Trading Results</b>						
Sales - Net of taxes	2,140,951	2,236,019	1,856,926	1,570,912	1,303,019	1,152,511
Gross Profit	675,616	660,811	546,156	513,856	344,000	458,179
Profit after Admn. & General Expenses	505,299	495,992	383,841	370,675	215,188	353,466
Other Income	282,092	213,579	200,437	252,575	257,621	213,518
Finance & Other Cost	84,090	98,901	116,199	113,028	51,281	46,727
Profit before Tax	703,301	610,671	468,080	510,222	421,528	520,257
Taxation	197,387	198,814	147,848	132,121	106,452	172,166
Profit after Tax	505,914	411,857	320,232	378,101	315,076	348,091
<b>Investors Information</b>						
Dividend *						
Cash - Value	355,535	246,900	164,600	246,900	205,750	205,750
Cash - %	60.00%	50.00%	40.00%	60.00%	50.00%	50.00%
Bonus - Value	-	98,760	82,300	-	-	-
Bonus - %	-	20.00%	20.00%	-	-	-
Profit retained in Business - Value	150,379	66,197	73,332	131,201	109,326	142,341
Retention - %	29.72%	16.07%	22.90%	34.70%	34.70%	40.89%
<b>Profitability Ratios</b>						
Gross Profit to Sales %	31.56%	29.55%	29.41%	32.71%	26.40%	39.75%
EBITDA (Rs '000)	933,969	850,145	723,535	705,114	549,987	636,622
EBITDA Margin to Sales %	43.62%	38.02%	38.96%	44.89%	42.21%	55.24%
Profit before Tax to Sales %	32.85%	27.31%	25.21%	32.48%	32.35%	45.14%
Profit after Tax to Sales %	23.63%	18.42%	17.25%	24.07%	24.18%	30.20%
Return on Equity - before tax %	17.49%	16.64%	13.41%	15.07%	13.09%	16.72%
Return on Equity - after tax %	12.58%	11.22%	9.17%	11.17%	9.78%	11.19%
Return on Capital Employed %	12.42%	10.72%	8.38%	9.78%	8.88%	11.16%
<b>Activity / Turnover Ratios</b>						
Return on Assets - before tax %	13.65%	12.46%	9.73%	10.73%	9.81%	14.32%
Return on Assets - after tax %	9.82%	8.40%	6.66%	7.95%	7.33%	9.58%
Total Assets Turnover %	41.57%	45.62%	38.62%	33.04%	30.33%	31.71%
Stock Turnover - (In Times)	4.36	4.23	3.23	2.78	2.68	2.24
Stock Turnover - No. of Days	84	86	113	131	136	163
Debtor turnover Ratio - No. of Days	40	41	52	68	63	68
Creditor turnover Ratio - No. of Days	28	31	31	30	26	35
Operating Cycle	96	96	134	169	174	196

## Key Operating and Financial Data

PARTICULARS	2015	2014	2013 Restated	2012 Restated	2011	2010
<b>Liquidity Ratios</b>						
Current Ratio	2.32:1	2.02:1	3.52:1	3.78:1	4.92:1	6.46:1
Quick Ratio	1.89:1	1.57:1	2.88:1	3.03:1	4.24:1	5.49:1
Cash to Current Liabilities	0.00:1	0.11:1	0.06:1	0.03:1	0.07:1	0.14:1
Cash flow from operations to Sales	0.00:1	0.23:1	0.26:1	0.17:1	0.18:1	0.25:1
<b>Capital Structure Ratios</b>						
Long Term Debt to Equity	0.01:1	0.05:1	0.09:1	0.14:1	0.10:1	0.00:1
Long Term Debt to Asset	0.01:1	0.04:1	0.07:1	0.10:1	0.08:1	0.00:1
Debt Equity Ratio	0.01:1	0.05:1	0.09:1	0.14:1	0.14:1	0.14:1
Interest cover ratio	35:1	20:1	12:1	16:1	86:1	340:1
Weighted Average Cost of Debt	9.67%	9.69%	10.43%	13.28%	15.73%	12.82%
<b>Investment / Market Ratios</b>						
No. of Shares in issue - No.	59,256	49,380	41,150	41,150	41,150	41,150
Bonus Shares Issued - No.	-	9,876	8,230	-	-	-
Cash Dividend per share (Rs.)	6.00	5.00	4.00	6.00	5.00	5.00
Earning per share - before tax (Rs.) **	11.87	10.31	7.90	8.61	7.11	8.78
Earning per share - after tax (Rs.) **	8.54	6.95	5.40	6.38	5.32	5.87
<b>Break-up value per share (Rs.) :</b>						
- Without Surplus on Revaluation on Fixed Assets	67.84	61.93	58.93	57.13	54.34	52.50
- With Surplus on Revaluation on Fixed Assets						
Price Earning Ratio - Year end Price (Rs.)	10.37	8.39	8.61	4.79	5.29	5.08
Earning Yield - Year end Price %	9.64%	9.93%	8.07%	14.50%	13.13%	13.66%
Dividend Payout %	70.28%	83.93%	77.10%	65.30%	65.30%	59.11%
Dividend Yield - Year end Price %	6.78%	10.00%	8.96%	13.64%	12.35%	11.63%
Dividend Cover - Times	1.42	1.19	1.30	1.53	1.53	1.69
<b>SHARE PERFORMANCE</b>						
Share Price - Highest (Rs.)	90.00	82.00	73.00	47.85	50.40	64.71
Share Price - Lowest (Rs.)	61.00	48.92	43.10	31.20	34.00	39.50
Share Price - Average (Rs.)	75.50	65.46	58.05	39.52	42.20	52.11
Share Price - At year end (Rs.)	88.56	70.00	66.99	44.00	40.50	42.99
Market Capitalization - Year end Price - (Rs '000)	5,247,699	3,456,592	2,756,632	1,810,596	1,666,571	1,769,034
Turnover of shares	4,594,500	4,603,000	3,293,458	2,239,201	2,215,905	2,383,636
<b>PRODUCTION (Ton)</b>						
<b>Actual Production</b>						
Banknote Paper	1,760	1,714	1,513	1,243	1,199	1,423
Non-Banknote Paper	450	691	668	418	203	164
<b>Total</b>	<b>2,210</b>	<b>2,405</b>	<b>2,181</b>	<b>1,661</b>	<b>1,402</b>	<b>1,587</b>
<b>SALES (Ton)</b>						
Banknote Paper	1,994	1,883	1,516	1,241	1,433	1,416
Non-Banknote Paper	511	733	610	419	189	171
<b>Total</b>	<b>2,505</b>	<b>2,616</b>	<b>2,126</b>	<b>1,660</b>	<b>1,622</b>	<b>1,587</b>
<b>CASH FLOWS</b>						
Cash Flows from Operating activities	436,027	519,619	476,555	263,604	234,684	286,335
Net cash used in investing activities	(78,719)	(93,086)	(81,122)	(319,519)	(441,575)	(144,602)
Net cash used in financing activities	(325,978)	(380,565)	(374,685)	34,821	194,726	(211,364)
Cash and cash equivalents at beginning of the year	83,213	37,245	16,497	37,592	49,757	119,388
Cash and cash equivalents at end of the year	114,543	83,213	37,245	16,498	37,592	49,757

\* Proposed cash dividend of Rs 355.535 million (i.e. Rs 6/- per share) is reflected in the above data as referred to in note 38 of the financial statements.

\*\* EPS is calculated on the basis of weighted average share in issue as at 30 June 2015.





## Horizontal Analysis

### BALANCE SHEET

#### ASSETS

##### Non-current assets

Property, plant and equipment	(4.26%)	(1.47%)	(7.27%)	23.22%	37.74%	(1.61%)
Long-term deposits	3.34%	1.41%	(40.64%)	38.72%	1.03%	2.99%
Investments	0.69%	149.23%	0.78%	100%	0.00%	0.00%

##### Current assets

Stores, spares and loose tools	(5.93%)	3.22%	(1.72%)	32.17%	(9.82%)	17.19%
Stock-in-trade	8.75%	(17.53%)	1.51%	12.57%	(0.14%)	36.86%
Trade debts - considered good	(11.12%)	4.21%	(16.77%)	0.47%	60.75%	(30.06%)
Advances, deposits, prepayments and other receivables	440.48%	22.40%	(20.21%)	57.49%	(59.34%)	(31.82%)
Accrued mark-up	(2.88%)	141.58%	1.45%	(90.91%)	101.05%	285.03%
Loans, receivables & Investments	39.98%	(56.38%)	20.35%	(19.40%)	(4.45%)	6.39%
Cash and bank balances	37.65%	123.42%	125.77%	(56.12%)	(24.45%)	(28.29%)

##### Total assets

2015	2014	2013	2012	2011	2010
5.09%	2.21%	0.84%	10.69%	18.23%	5.41%

#### LIABILITIES

##### Current liabilities

Current portion of Long term liabilities - Lease/Loan	(24.72%)	0.37%	1.83%	76.09%	4334.33%	26.34%
Trade and other payables	11.51%	17.17%	15.35%	9.19%	46.81%	13.05%
Accrued mark-up on short term finance - secured	(60.01%)	(28.86%)	(37.22%)	35.80%	10,376.89%	544.44%
Taxation - net	30.46%	25.74%	1859.29%	(95.98%)	(32.71%)	2.76%

##### Non-current liabilities

Liabilities against asset subject to finance lease	0.49%	31.31%	(3.04%)	(26.19%)	19.85%	41.14%
Long Term Finance	(74.57%)	(49.84%)	(31.73%)	49.97%	100.00%	0.00%
Deferred taxation - net	(6.75%)	(6.82%)	(4.40%)	53.22%	55.52%	9.63%

##### Total liabilities

(8.18%)	(6.97%)	(2.91%)	26.66%	105.70%	9.56%
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#### NET ASSETS

9.54%	5.71%	2.34%	5.35%	3.51%	4.74%
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Issued, subscribed and paid-up capital	20.00%	20.00%	0.00%	0.00%	0.00%	0.00%
General reserve	4.79%	0.28%	5.06%	4.37%	6.05%	5.69%
Unappropriated profit	21.44%	28.61%	(15.39%)	20.10%	(9.47%)	4.77%
Surplus on re-measurement of investments classified as 'available for sale'	100.00%	100.00%	100.00%	0.00%	0.00%	(100.00%)

#### SHAREHOLDER'S EQUITY

9.54%	5.71%	2.34%	5.35%	3.51%	4.74%
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##### Total liabilities & Shareholder Equity

5.09%	2.21%	0.84%	10.69%	18.23%	5.41%
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### Profit & Loss Account

Sales - net	(4.25%)	20.42%	18.21%	20.56%	13.06%	2.08%
Cost of sales	(6.98%)	20.17%	24.00%	10.22%	38.12%	3.82%
Gross profit	2.26%	20.99%	6.29%	49.38%	(24.92%)	(0.45%)
Administration and general expenses	3.40%	1.54%	13.36%	11.16%	23.01%	38.83%
Other operating income	32.08%	6.56%	(20.64%)	(1.96%)	20.66%	5.48%
Other operating charges	1.63%	2.25%	(20.99%)	65.55%	(2.41%)	(51.20%)
Impairment loss on 'available for sale' investment	0.00%	0.00%	0.00%	(100.00%)	67.03%	(55.75%)
Operating profit	11.77%	23.45%	(4.39%)	29.34%	(18.05%)	5.48%
Finance costs	(37.02%)	(30.37%)	41.24%	578.25%	239.79%	4.92%
Profit before taxation	15.17%	30.46%	(8.26%)	21.04%	(18.98%)	5.48%
Taxation - net	(0.72%)	34.47%	11.90%	24.11%	(38.17%)	6.90%
Profit after taxation	22.84%	28.61%	(15.31%)	20.00%	(9.48%)	4.80%

## Vertical Analysis

	2015	2014	2013	2012	2011	2010
<b>BALANCE SHEET</b>						
<b>ASSETS</b>						
Non-current assets						
Property, plant and equipment	35.87%	39.37%	40.84%	44.41%	39.89%	34.24%
Long-term deposits	0.29%	0.30%	0.30%	0.51%	0.41%	0.47%
Long Term Investments	28.37%	29.61%	12.14%	12.15%	-	-
<b>Current assets</b>						
Stores, spares and loose tools	2.11%	2.36%	2.34%	2.40%	2.01%	2.63%
Stock-in-trade	7.11%	6.87%	8.51%	8.46%	8.32%	9.85%
Trade debts - considered good	4.91%	5.80%	5.69%	6.90%	7.60%	5.59%
Advances, deposits, prepayments and other receivables	1.49%	0.29%	0.24%	0.31%	0.21%	0.62%
Accrued mark-up	1.42%	1.54%	0.65%	0.65%	7.89%	4.64%
Loans, receivables & Investments	16.20%	12.17%	28.51%	23.88%	32.80%	40.58%
Cash and bank balances	2.22%	1.70%	0.78%	0.35%	0.87%	1.37%
<b>Total assets</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Current portion of long term liabilities	2.42%	3.38%	3.44%	3.41%	2.14%	0.06%
Trade and other payables	10.45%	9.85%	8.59%	7.51%	7.61%	6.13%
Accrued mark-up on short term finance - secured	0.03%	0.08%	0.11%	0.17%	0.14%	0.00%
Taxation - net	2.40%	1.93%	1.57%	0.08%	2.23%	3.91%
<b>Non-current liabilities</b>						
Current portion of lease liabilities	0.21%	0.22%	0.17%	0.18%	0.26%	0.26%
Long Term Finance	0.80%	3.31%	6.75%	9.96%	7.35%	0.00%
Deferred taxation - net	5.64%	6.36%	6.97%	7.36%	5.31%	4.04%
<b>Total liabilities</b>	<b>21.95%</b>	<b>25.12%</b>	<b>27.60%</b>	<b>28.67%</b>	<b>25.05%</b>	<b>14.40%</b>
<b>NET ASSETS</b>	<b>78.05%</b>	<b>74.88%</b>	<b>72.40%</b>	<b>71.33%</b>	<b>74.95%</b>	<b>85.60%</b>
Issued, subscribed and paid-up capital	11.50%	10.07%	8.58%	8.65%	9.58%	11.32%
General reserve	55.78%	55.94%	57.01%	54.72%	58.03%	64.70%
Unappropriated profit	9.71%	8.40%	6.68%	7.96%	7.33%	9.58%
Surplus on re-measurement of investments classified as 'available for sale'	1.06%	0.46%	0.13%	0.00%	0.00%	0.00%
<b>SHAREHOLDER'S EQUITY</b>	<b>78.05%</b>	<b>74.88%</b>	<b>72.40%</b>	<b>71.33%</b>	<b>74.95%</b>	<b>85.60%</b>
<b>Total liabilities &amp; Shareholder Equity</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Profit &amp; Loss Account</b>						
Sales - net	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of sales	68.44%	70.45%	70.59%	67.29%	73.60%	60.25%
Gross profit	31.56%	29.55%	29.41%	32.71%	26.40%	39.75%
Administration and general expenses	7.96%	7.37%	8.74%	9.11%	9.89%	9.09%
Other operating income	13.18%	9.55%	10.79%	16.08%	19.77%	18.53%
Other operating charges	2.68%	2.52%	2.97%	4.44%	3.24%	3.75%
Impairment loss on 'available for sale' investment	0.00%	0.00%	0.00%	0.00%	0.21%	0.14%
Operating profit	34.10%	29.21%	28.49%	35.23%	32.84%	45.30%
Finance costs	1.25%	1.90%	3.29%	2.75%	0.49%	0.16%
Profit before taxation	32.85%	27.31%	25.21%	32.48%	32.35%	45.14%
Taxation - net	9.22%	8.89%	7.96%	8.41%	8.17%	14.94%
Profit after taxation	23.63%	18.42%	17.25%	24.07%	24.18%	30.20%



## Statement of Compliance with the Code of Corporate Governance

Name of Company: **Security Papers Limited**  
Year Ended: **30 June 2015**

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Chapter 5.19 of Rule Book of Karachi Stock Exchange Limited (KSE) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Name of Director	Category of Director		
	Independent (01)	Non-Executive (08)	Executive (01)
Mr. Kazi Abdul Muktadir		✓	
Sheikh Mohammad Aijaz Akhtar	✓		
Mrs. Ayla Akin - (Turkey)		✓	
Mr. Jamal Nasim		✓	
Mr. Muhammad Misbah Tunio			✓
Mr. Ajaz Ali Khan		✓	
Mr. Abolghassem Jamshidi		✓	
Mr. Muhammad Ayub		✓	
Ch. Mehboob Ilahi		✓	
Mr. Shamsuddin Soomro		✓	

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution (DFI) or a Non-Banking Financial Institution (NBFI) or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy had occurred during the period under review.
5. The Company has prepared a 'Statement of Ethics and Business Practices' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policy and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/Shareholders.

## **Statement of Compliance with the Code of Corporate Governance**

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged orientation course for its directors as and when needed to apprise them of their duties and responsibilities. The incoming directors are also provided with appropriate briefing and orientation material to enable them firsthand knowledge on the working of the Company. Three directors of the Company have completed Directors' Training Program during the period under review. In addition one director met the criteria of exemption under CCG and is accordingly exempted from directors' training program.
10. The Board had approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises four members, of whom all are non-executive directors and the Chairman of the Committee is an independent director who met criteria of independence under CCG.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the Chairman of the Committee is a non-executive director.
18. The Board has set-up an effective internal audit function.
19. 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 (ICAP), 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 ICAP.
20. 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.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange.



## **Statement of Compliance with the Code of Corporate Governance**

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board of Directors

A handwritten signature in black ink, appearing to read "Muhammad Misbah Tunio", with a horizontal line underneath.

**MUHAMMAD MISBAH TUNIO**  
Chief Executive Officer

Karachi  
Dated: 31 July 2015



# Financial Statements

For the Year ended 30 June 2015





## Review Report to the Members on Statement of Compliance with best practices of the Code of Corporate Governance



Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
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### Review report to the members on statement of compliance with the code of corporate governance

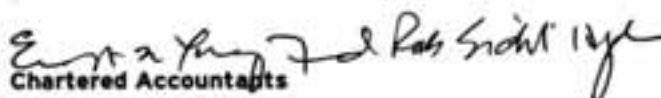
We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Security Papers Limited** (the Company) for the year ended **30 June 2015** to comply with the requirements of Listing Regulation No. 35 Chapter XI of Karachi Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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 of Directors' 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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 as applicable to the Company for the year ended **30 June 2015**.

  
Chartered Accountants

**Date:** 31 July 2015

**Place:** Karachi

A member firm of Ernst & Young Global Limited

## Auditors' Report to the Members



Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants  
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### Auditors' report to the members

We have audited the annexed balance sheet of Security Papers Limited (the Company) as at 30 June 2015 and the related profit and loss account, statement of comprehensive income, 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 the 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 account 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 account and are further in accordance with accounting policies consistently applied, except for changes as stated in note 3.1 to the accompanying financial statements with which we concur;
  - 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, statement of comprehensive income, 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 30 June 2015 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

*Ernst & Young Ford Rhodes Sidat Hyder*  
Chartered Accountants

Audit Engagement Partner: Shariq Ali Zaidi

Date: 31 July 2015

Karachi



## Balance Sheet

As At 30 June 2015

	Note	2015 ----- (Rupees in '000) -----	2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	1,847,614	1,929,736
Long-term deposits	5	15,048	14,561
Long-term investments	6	1,461,099	1,451,031
		<b>3,323,761</b>	<b>3,395,328</b>
<b>Current assets</b>			
Stores, spares and loose tools	7	108,855	115,715
Stock-in-trade	8	366,127	336,654
Trade debts - considered good	9	252,764	284,402
Advances, deposits, prepayments and other receivables	10	76,711	14,193
Accrued mark-up	11	73,341	75,514
Investments	12	834,660	596,276
Cash and bank balances	13	114,543	83,213
		<b>1,827,001</b>	<b>1,505,967</b>
<b>Total assets</b>		<b>5,150,762</b>	<b>4,901,295</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	538,105	482,556
Accrued mark-up		1,474	3,686
Current maturity of long term loan	16	120,988	161,214
Current portion of liabilities against asset subject to finance lease	17	3,791	4,549
Taxation - net		123,714	94,828
		<b>788,072</b>	<b>746,833</b>
<b>Non-current liabilities</b>			
Long term loan	16	41,249	162,237
Liabilities against asset subject to finance lease	17	10,678	10,626
Deferred taxation - net	18	290,593	311,641
		<b>342,520</b>	<b>484,504</b>
<b>Total liabilities</b>		<b>1,130,592</b>	<b>1,231,337</b>
<b>NET ASSETS</b>		<b>4,020,170</b>	<b>3,669,958</b>
<b>FINANCED BY:</b>			
Authorised share capital 70,000,000 (2014: 70,000,000) ordinary shares of Rs 10 each		700,000	700,000
Issued, subscribed and paid-up capital	19	592,559	493,799
General reserves		2,873,119	2,806,919
Unappropriated profit		500,140	346,677
Surplus on re-measurement of investments classified as 'available for sale'		54,352	22,563
		<b>4,020,170</b>	<b>3,669,958</b>
<b>SHAREHOLDER'S EQUITY</b>		<b>4,020,170</b>	<b>3,669,958</b>
<b>Contingencies and commitments</b>	20		

The annexed notes 1 to 38 form an integral part of these financial statements.

**Muhammad Misbah Tunio**  
Chief Executive Officer

**Sheikh Mohammad Aijaz Akhtar**  
Director

## Profit and Loss Account

For the year ended 30 June 2015

	Note	2015 ----- (Rupees in '000) -----	2014
Sales - net	21	2,140,951	2,236,019
Cost of sales	22	(1,465,235)	(1,575,208)
<b>Gross profit</b>		<b>675,716</b>	660,811
Administration and general expenses	23	(170,417)	(164,818)
Other income	25	282,092	213,579
Other charges	26	(57,326)	(56,406)
Finance costs	27	(26,764)	(42,495)
<b>Profit before taxation</b>		<b>703,301</b>	610,671
Taxation - net	28	(197,387)	(198,814)
<b>Profit after taxation</b>		<b>505,914</b>	411,857
		----- (Rupees) -----	
			(Restated)
<b>Earnings per share (Basic &amp; Diluted)</b>	29	<b>8.54</b>	6.95

The annexed notes 1 to 38 form an integral part of these financial statements.



**Muhammad Misbah Tunio**  
Chief Executive Officer



**Sheikh Mohammad Aijaz Akhtar**  
Director





## Statement of Comprehensive Income

For the year ended 30 June 2015

	2015 ----- (Rupees in '000) -----	2014 ----- (Restated)
Profit for the year	<b>505,914</b>	411,857
<b>Other comprehensive income:</b>		
<b>Other comprehensive income not to be reclassified to profit &amp; loss account in subsequent periods</b>		
Actuarial losses on defined benefit plan	(14,661)	(17,008)
Deferred Taxation	-	5,612
	<b>(14,661)</b>	(11,396)
<b>Other comprehensive income to be reclassified to profit &amp; loss account in subsequent periods</b>		
Unrealised appreciation during the year on remeasurement of investments classified as 'available for sale'	<b>54,352</b>	16,465
Realised appreciation during the year on redemption of investments classified as 'available for sale'	<b>(22,563)</b>	-
	<b>31,789</b>	16,465
	<b>17,128</b>	5,069
<b>Total comprehensive income for the year</b>	<b>523,042</b>	416,926

The annexed notes 1 to 38 form an integral part of these financial statements.

**Muhammad Misbah Tunio**  
Chief Executive Officer

**Sheikh Mohammad Aijaz Akhtar**  
Director

# Cash Flow Statement

For the year ended 30 June 2015

	Note	2015 ----- (Rupees in '000) -----	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	33	<b>668,613</b>	759,549
Long-term deposits		<b>(487)</b>	(202)
Taxes paid		<b>(203,125)</b>	(195,739)
Finance costs paid		<b>(28,974)</b>	(43,989)
Net cash generated from operating activities		<b>436,027</b>	519,619
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		<b>(118,333)</b>	(161,706)
Proceeds from sale of property, plant and equipment		<b>1,866</b>	1,047
Investment made during the year - net		<b>(154,674)</b>	(97,591)
Mark-up received		<b>192,422</b>	165,164
Net cash used in investing activities		<b>(78,719)</b>	(93,086)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term loan		<b>(161,214)</b>	(161,214)
Payments against lease obligations		<b>(4,552)</b>	(3,876)
Dividend paid		<b>(160,212)</b>	(215,475)
Net cash used in from financing activities		<b>(325,978)</b>	(380,565)
<b>Net increase in cash and cash equivalents</b>		<b>31,330</b>	45,968
Cash and cash equivalents at beginning of the year		<b>83,213</b>	37,245
Cash and cash equivalents at end of the year		<b>114,543</b>	83,213

The annexed notes 1 to 38 form an integral part of these financial statements.



**Muhammad Misbah Tunio**  
Chief Executive Officer



**Sheikh Mohammad Aijaz Akhtar**  
Director





## Statement of Changes in Equity

For the year ended 30 June 2015

	Issued, subscribed and paid-up share capital	General reserves	Unappropriated profit	Surplus on re-measurement of investments classified as available for sale	Total
----- (Rupees in '000) -----					
<b>Balance as at 30 June 2013</b>	411,499	2,733,589	340,516	6,098	3,491,702
<b>Total comprehensive income for the year ended 30 June 2014</b>					
Profit for the year	-	-	411,857	-	411,857
Other comprehensive income, net of taxes	-	-	(11,396)	16,465	5,069
<b>Transactions with owners</b>					
Final cash dividend @ Rs 4.00 per share for the year ended 30 June 2013	-	-	(164,600)	-	(164,600)
Interim Cash dividend @ Rs 1.50 per ordinary share for the year ended 30 June 2014	-	-	(74,070)	-	(74,070)
Bonus Shares issued during the year	82,300	-	(82,300)	-	-
Transfer to general reserves	-	73,330	(73,330)	-	-
<b>Balance as at 30 June 2014</b>	493,799	2,806,919	346,677	22,563	3,669,958
<b>Total comprehensive income for the year ended 30 June 2014</b>					
Profit for the year	-	-	505,914	-	505,914
Other comprehensive income, net of taxes	-	-	(14,661)	31,789	17,128
<b>Transactions with owners</b>					
Cash dividend @ Rs 3.50 per ordinary share for the year ended 30 June 2014	-	-	(172,830)	-	(172,830)
Bonus Shares issued during the year	98,760	-	(98,760)	-	-
Transfer to general reserves	-	66,200	(66,200)	-	-
<b>Balance as at 30 June 2015</b>	592,559	2,873,119	500,140	54,352	4,020,170

The annexed notes 1 to 38 form an integral part of these financial statements.

**Muhammad Misbah Tunio**  
Chief Executive Officer

**Sheikh Mohammad Aijaz Akhtar**  
Director

# Notes to the Financial Statements

For the year ended 30 June 2015

## 1. STATUS AND NATURE OF BUSINESS

Security Papers Limited ("the Company") is incorporated and domiciled in Pakistan as a public company limited by shares. The address of its registered office is Jinnah Avenue, Malir Halt, Karachi, Pakistan. The Company is listed on the Karachi Stock Exchange.

The principal activity of the Company is manufacturing of specialised paper for banknote and non-banknote security documents.

## 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 Standards 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 of 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 that certain investments are carried at fair value and obligation in respect of gratuity scheme is measured at present value.

### 2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency and rounded to the nearest thousand rupee.

### 2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgments and estimates made by management that may have a significant risk of material adjustments to the financial statements in subsequent years are as follows:

- Residual values and useful lives of property, plant and equipment (note 3.2)
- Provision for slow moving and obsolete stores and spares and stock-in-trade (note 3.5 and 3.6)
- Estimates of liability in respect of employee retirement gratuity and employees' compensated absences (note 3.11, 3.12 and 24)
- Taxation (note 3.16)
- Fair value of investments classified as 'available for sale' (note 3.4, 34.4)



## Notes to the Financial Statements

### 2.5 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

<b>Standard or Interpretation</b>	<b>Effective date (annual periods Beginning on or after)</b>
IFRS 10 – Consolidated Financial Statements	01 January 2015
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities (Amendment)	01 January 2015
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	01 January 2016
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	01 January 2016
IFRS 11 – Joint Arrangements	01 January 2015
IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
IFRS 12 – Disclosure of Interests in Other Entities	01 January 2015
IFRS 13 – Fair Value Measurement	01 January 2015
IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)	01 January 2016
IAS 16 – Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	01 January 2016
IAS 16 – Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	01 January 2016
IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements "	01 January 2016

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

## Notes to the Financial Statements

Standard or Interpretation	Effective date (annual periods Beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2018

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

#### 3.1 New / Revised Standards, Interpretations and Amendments

The Company has adopted the following revised standard, amendments and interpretation of IFRSs which became effective for the current year:

IAS 19 – Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions

IAS 32 – Financial Instruments : Presentation – (Amendment) - Offsetting Financial Assets and Financial Liabilities

IAS 36 – Impairment of Assets – (Amendment) - Recoverable Amount Disclosures for Non-Financial Assets

IAS 39 – Financial Instruments: Recognition and Measurement – (Amendment) - Novation of Derivatives and Continuation of Hedge Accounting

IFRIC 21 – Levies

#### **Improvements to Accounting Standards Issued by the IASB**

IFRS 2 Share-based Payment - Definitions of vesting conditions

IFRS 3 Business Combinations – Accounting for contingent consideration in a business combination

IFRS 3 Business Combinations - Scope exceptions for joint ventures

IFRS 8 Operating Segments – Aggregation of operating segments

IFRS 8 Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets

IFRS 13 Fair Value Measurement - Scope of paragraph 52 (portfolio exception)

IAS16 Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method – proportionate restatement of accumulated depreciation / amortisation

IAS 24 Related Party Disclosures - Key management personnel

IAS 40 Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any effect on the financial statements.



## Notes to the Financial Statements

### 3.2 Property, plant and equipment

#### Owned

These are stated at cost less accumulated depreciation and accumulated impairment losses (if any), except for capital work-in-progress, leasehold and freehold land which are stated at cost less accumulated impairment losses (if any). All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

The value assigned to the leasehold land is not depreciated as the leases are expected to be renewed for further periods on payment of relevant rentals. Annual lease rentals are charged to income and premium paid at the time of renewal, if any, is amortised over the remaining lease period. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than the recoverable amount.

Depreciation on all property, plant and equipment is charged using the straight line method in accordance with the rates specified in note 4.1 to these financial statements and after taking into account residual values, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged from the month in which the assets become available for use, while no depreciation is charged in the month of disposal.

Repairs and maintenance are charged to income as and when incurred.

Gains or losses on disposal of property, plant and equipment are included in other income.

#### Leased

Assets held under finance lease are stated at the lower of their fair value or present value of minimum lease payments at inception less accumulated depreciation and accumulated impairment losses, if any. The outstanding obligations under the lease agreements are shown as a liability net of finance charges allocable to future periods.

The finance charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of return on the outstanding liability.

Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Company.

### 3.3 Borrowing cost

Borrowing cost are recognised as an expense in the period in which these are incurred except to the extent of borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing cost, if any, are capitalised as part of the cost of the relevant asset.

### 3.4 Financial instruments

Financial instruments carried on the balance sheet include investments, deposits, trade debts and other receivables, accrued mark-up on investments, cash and bank balances, trade and other payables, long term loan, accrued mark-up on short term finance and liabilities against assets subject to finance lease.

## Notes to the Financial Statements

### Financial assets

The Company classifies its financial assets in held to maturity, loans receivables and available-for-sale categories. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

#### (a) Held-to-maturity

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold till maturity.

#### (b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

#### (c) Available for sale

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the right to receive the cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownerships.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Fair value of available-for-sale investments are determined on the basis of rates notified by Mutual Fund Association of Pakistan for debt securities, relevant redemption prices for the open-end mutual funds, or PKRV sheets.

Available-for-sale financial assets are subsequently carried at fair value with changes in fair value recognised in other comprehensive income until derecognised or impaired. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustment recognised in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Company's right to receive the dividends is established.

The Company assesses at the end of each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and is recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

The Company follows trade date accounting for regular way purchase and sales of securities.

### Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instruments. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.





## Notes to the Financial Statements

### Offsetting of financial assets and financial liabilities

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

### 3.5 Stores, spares and loose tools

These are valued at lower of moving average cost and net realisable value. Items in transit are valued at cost comprising invoice value and other charges incurred thereon.

Provision for obsolete and slow moving stores, spares and loose tools is determined based on management's estimate regarding their future usability.

### 3.6 Stock-in-trade

Raw materials are valued at the lower of moving average cost and net realisable value except for items in transit which are stated at cost incurred to date.

Work-in-process, semi-finished and finished goods are valued at lower of cost (calculated on weighted average basis) and net realisable value. Cost in relation to work-in-process, semi finished and finished goods, represents direct cost of materials, direct wages and an appropriate portion of production overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and the costs necessary to be incurred to make the sale.

### 3.7 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method less provision for impairment. A provision for impairment is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is charged to profit and loss account. Trade debts and other receivables are written off when considered irrecoverable.

### 3.8 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents include cash in hand and balances with banks.

### 3.9 Trade and other payables

Trade and other payables are recognised initially at fair value, and subsequently carried at amortised cost.

### 3.10 Provisions

Provisions are recognised in balance sheet when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the outflow can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

## Notes to the Financial Statements

### 3.11 Employee retirement benefits

The Company operates:

- (a) an approved funded gratuity fund for all permanent employees. Annual contributions are made to the fund based on actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. The unrecognised actuarial gains or losses at each valuation date are charged to other comprehensive income.
- (b) an approved contributory provident fund for all eligible employees. Contributions are made equally by the Company and employees at the rate of 6.45% of gross salary; and

Employee retirement benefits are payable to eligible employees on completion of the prescribed qualifying period of service under these funds.

### 3.12 Employees' compensated absences

The liability for accumulated compensated absences of employees is recognised in the period in which employees render service that increases their entitlement to future compensated absences.

### 3.13 Mark-up bearing borrowings

Mark-up bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of the borrowings on an effective interest basis.

### 3.14 Liabilities against assets subject to finance lease

Liabilities against assets subject to finance lease are accounted for at the net present value of minimum payments under the lease arrangements.

Finance charges under lease arrangements are allocated to periods during the lease term so as to produce a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

### 3.15 Revenue recognition

- Sales are recorded on dispatch of goods when significant risk and rewards of ownership are transferred to the customers.
- Return on bank deposits is recognised on accrual basis taking into account the effective yield.
- Income on available for sale debt securities, held-to-maturity investments and loans and receivables are recognised using effective interest rate method.
- Dividend income is recognised when the Company's right to receive the dividend is established.
- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.
- Others are accounted for an accrual basis.



## Notes to the Financial Statements

### 3.16 Taxation

#### *Current*

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

#### *Deferred*

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. Deferred tax is calculated using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit and loss account.

### 3.17 Expenses

All expenses are recognised in the profit and loss account on an accrual basis.

### 3.18 Impairment

The carrying amount of the Company's assets is reviewed at each balance sheet date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exists, the asset or group of assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account.

### 3.19 Foreign currency transactions

Transactions in foreign currencies are accounted for in rupees at the foreign exchange rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are re-translated into rupees at the foreign exchange rates approximating those prevailing at the balance sheet date. Exchange differences are taken to the profit and loss account.

### 3.20 Proposed dividend and transfer between reserves

Dividend distributions to the Company's shareholders is recognised as a liability in the period in which dividends approved. Transfer between reserves made subsequent to the balance sheet date is considered as non-adjusting event and is recognised in the financial statements in the period in which such transfers are made.

	Note	2015	2014
----- (Rupees in '000) -----			
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	4.1	<b>1,843,930</b>	1,811,153
Capital work-in-progress	4.3	<b>3,684</b>	118,583
		<b>1,847,614</b>	1,929,736

## Notes to the Financial Statements

### 4.1 The following is a statement of Company's operating fixed assets.

	-----2015-----													
	Land		Buildings on		Plant and machinery	Spare parts and stand-by equipment	Laboratory equipment	Furniture and fixtures	Electric, water and gas installation	Office and security equipment	Computers and computer accessories	Motor vehicles		
	Leasehold	Freehold	Leasehold land	Freehold land								Owned	Leased	Total
----- (Rupees in '000) -----														
<b>At 1 July 2014</b>														
Cost	417	293	1,015	102,043	2,762,399	62,650	32,528	9,868	115,172	37,014	12,070	4,643	23,677	3,163,789
Accumulated depreciation	-	-	(972)	(19,137)	(1,182,813)	(30,729)	(22,587)	(2,446)	(41,106)	(26,943)	(10,247)	(4,351)	(11,305)	(1,352,636)
Net book value	417	293	43	82,906	1,579,586	31,921	9,941	7,422	74,066	10,071	1,823	292	12,372	1,811,153
<b>During the year</b>														
Additions	-	-	-	33,729	110,415	6,053	111	2,912	76,290	2,463	1,109	150	3,846	237,078
Disposals:														
Cost	-	-	-	-	(95)	-	-	-	-	-	-	(125)	(3,508)	(3,728)
Depreciation	-	-	-	-	95	-	-	-	-	-	-	114	3,121	3,330
Depreciation charge for the year	-	-	(25)	(2,893)	(165,980)	(15,793)	(1,982)	(580)	(7,761)	(3,260)	(1,091)	(177)	(4,361)	(203,903)
<b>Closing net book value</b>	<b>417</b>	<b>293</b>	<b>18</b>	<b>113,742</b>	<b>1,524,021</b>	<b>22,181</b>	<b>8,070</b>	<b>9,754</b>	<b>142,595</b>	<b>9,274</b>	<b>1,841</b>	<b>254</b>	<b>11,470</b>	<b>1,843,930</b>
<b>At 30 June 2015</b>														
Cost	417	293	1,015	135,772	2,872,719	68,703	32,639	12,780	191,462	39,477	13,179	4,668	24,015	3,397,139
Accumulated depreciation	-	-	(997)	(22,030)	(1,348,698)	(46,522)	(24,569)	(3,026)	(48,867)	(30,203)	(11,338)	(4,414)	(12,545)	(1,553,209)
Net book value	417	293	18	113,742	1,524,021	22,181	8,070	9,754	142,595	9,274	1,841	254	11,470	1,843,930
<b>Depreciation rate % per annum</b>	-	-	2.5%	2.5%	6%	25%	10%	6%	6%	15%	25%	20%	20%	

	-----2014-----													
	Land		Buildings on		Plant and machinery	Spare parts and stand-by equipment	Laboratory equipment	Furniture and fixtures	Electric, water and gas installation	Office and security equipment	Computers and computer accessories	Motor vehicles		
	Leasehold	Freehold	Leasehold land	Freehold land								Owned	Leased	Total
----- (Rupees in '000) -----														
<b>At 1 July 2013</b>														
Cost	417	293	1,015	100,670	2,751,237	58,375	26,538	7,431	102,183	34,038	11,355	4,490	20,081	3,118,123
Accumulated depreciation	-	-	(947)	(16,784)	(1,020,093)	(16,529)	(21,023)	(1,918)	(34,897)	(24,219)	(9,529)	(4,334)	(9,788)	(1,160,061)
Net book value	417	293	68	83,886	1,731,144	41,846	5,515	5,513	67,286	9,819	1,826	156	10,293	1,958,062
<b>During the year</b>														
Additions	-	-	-	1,373	12,174	4,275	5,990	2,437	12,989	3,041	924	322	7,020	50,545
Disposals:														
Cost	-	-	-	-	(1,012)	-	-	-	-	(65.00)	(209.00)	(169)	(3,424)	(4,879)
Depreciation	-	-	-	-	1,012	-	-	-	-	65.00	209.00	167	2,951	4,404
Depreciation charge for the year	-	-	(25)	(2,353)	(163,732)	(14,200)	(1,564)	(528)	(6,209)	(2,789)	(927)	(184)	(4,468)	(196,979)
<b>Closing net book value</b>	<b>417</b>	<b>293</b>	<b>43</b>	<b>82,906</b>	<b>1,579,586</b>	<b>31,921</b>	<b>9,941</b>	<b>7,422</b>	<b>74,066</b>	<b>10,071</b>	<b>1,823</b>	<b>292</b>	<b>12,372</b>	<b>1,811,153</b>
<b>At 30 June 2014</b>														
Cost	417	293	1,015	102,043	2,762,399	62,650	32,528	9,868	115,172	37,014	12,070	4,643	23,677	3,163,789
Accumulated depreciation	-	-	(972)	(19,137)	(1,182,813)	(30,729)	(22,587)	(2,446)	(41,106)	(26,943)	(10,247)	(4,351)	(11,305)	(1,352,636)
Net book value	417	293	43	82,906	1,579,586	31,921	9,941	7,422	74,066	10,071	1,823	292	12,372	1,811,153
<b>Depreciation rate % per annum</b>	-	-	2.5%	2.5%	6%	25%	10%	6%	6%	15%	25%	20%	20%	



## Notes to the Financial Statements

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

	Note	2015	2014
----- (Rupees in '000) -----			
Cost of sales	22	<b>197,471</b>	190,629
Administration and general expenses	23	<b>6,432</b>	6,350
		<b>203,903</b>	196,979

4.2 Particulars of operating fixed assets disposed off during the year.

	Cost	Accumulated depreciation	Net book value	Sales proceeds	Mode of disposal	Particulars of buyers	Location
----- (Rupees in '000) -----							
<b>Vehicle - owned</b>							
Trakkers	125	114	11	19	Company's policy	Various Employees	Karachi
<b>Vehicles - leased</b>							
Suzuki Alto	588	578	10	103	Company's policy	Mr. Shahbaz	Karachi
Honda City	1,330	953	377	583	Company's policy	Mr. Talha Bin Hamid	Karachi
Suzuki Cultus	795	795	-	119	Company's policy	Mr. Muhammad Imran Awan	Karachi
Suzuki Cultus	795	795	-	119	Company's policy	Mr. Saadat Ali	Karachi
<b>Plant &amp; Machinery</b>							
Air Conditioned Chiller	95	95	-	923	Tender	M/s Jangriaz Khan	Karachi
	<b>2015</b>	<b>3,728</b>	<b>3,330</b>	<b>398</b>	<b>1,866</b>		
	2014	4,879	4,404	475	1,047		

4.3 Capital work-in-progress

	2015	2014
----- (Rupees in '000) -----		
Building	<b>1,457</b>	15,829
Plant and machinery	<b>475</b>	57,709
Vehicle	<b>1,752</b>	-
Others	-	45,045
	<b>3,684</b>	118,583

## Notes to the Financial Statements

	Note	2015 ----- (Rupees in '000) -----	2014
The movement in capital work-in-progress is as follows:			
Balance as at beginning of the year		118,583	402
Additions during the year			
- Plant and machinery		43,471	57,709
- Building		23,241	16,627
- Electric Water & Gas Installation		19,835	40,430
- Vehicle		1,753	-
- Others		509	9,139
		<b>88,809</b>	123,905
Transfers to operating fixed assets			
- Plant and machinery		(105,645)	-
- Building		(31,789)	(1,199)
- Electric Water & Gas Installation		(63,567)	-
- Others		(2,707)	(4,525)
		<b>(203,708)</b>	(5,724)
Balance at end of the year		<b>3,684</b>	118,583
<b>5. LONG-TERM DEPOSITS</b>			
Security deposits	5.1	<b>15,048</b>	14,561
<b>5.1</b> These include deposits amounting to Rs 11.661 million (2014: Rs 11.661 million) given to the K-Electric on which interest is received @ 5% per annum.			
<b>6. LONG-TERM INVESTMENTS</b>			
<b>Held-to-maturity</b>			
Pakistan Investment Bond	6.1	<b>1,461,099</b>	1,451,031
<b>6.1</b> These represent investments in Pakistan Investment Bonds (PIB's) carrying profit at a rate of 11.25% to 11.5% (effective yield of 11.97% to 12.96%) per annum with maturity in August 2016 and July 2018. The profit payments are made semi annually.			





## Notes to the Financial Statements

	2015 ----- (Rupees in '000) -----	2014 -----
<b>7. STORES, SPARES AND LOOSE TOOLS</b>		
Stores	<b>11,870</b>	10,624
Spares - in hand	<b>109,492</b>	113,676
Spares in transit	<b>1,602</b>	5,321
Loose tools	<b>232</b>	435
	<b>123,196</b>	130,056
Provision for slow moving and obsolete stores and spares	<b>(14,341)</b>	(14,341)
	<b>108,855</b>	115,715
<b>8. STOCK-IN-TRADE</b>		
Raw materials - in hand	<b>144,201</b>	183,396
Raw materials - in transit	<b>12,506</b>	7,959
	<b>156,707</b>	191,355
Work-in-process	<b>160,272</b>	79,966
Finished goods	<b>90,224</b>	106,409
Provision for slow moving inventories	<b>(41,076)</b>	(41,076)
	<b>49,148</b>	65,333
	<b>366,127</b>	336,654
<b>9. TRADE DEBTS - considered good</b>		
<i>Unsecured</i>		
Due from Pakistan Security Printing Corporation (Private) Limited - related party		
- considered good	<b>252,683</b>	284,282
- considered doubtful	-	1,904
	<b>252,683</b>	286,186
Due from Others	<b>81</b>	120
- provision for doubtful debts	-	(1,904)
	<b>252,764</b>	284,402

**9.1** The maximum amount due from the related party, Pakistan Security Printing Corporation (Private) Limited, at the end of any month during the year was Rs. 499.80 million (2014: Rs. 416.356 million).

## Notes to the Financial Statements

	Note	2015 ----- (Rupees in '000) -----	2014 (Restated)
<b>10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advance to suppliers - unsecured and considered good		70,088	11,760
Short-term deposits		3,960	585
Short-term prepayments		2,087	696
Loan to employees - considered good	10.1	83	73
Others		493	1,079
		76,711	14,193

**10.1** This represents loan provided to employees carrying interest at rate of 11% per annum with maturity up to 30 June 2016.

### 11. ACCRUED MARK-UP

Pakistan Investment Bond		70,264	70,292
Term Finance Certificates		2,559	3,906
Security deposits		516	1,313
Deposit and savings accounts		2	3
		73,341	75,514

### 12. INVESTMENTS

#### **Available for sale**

##### *Term finance certificates*

##### B.R.R. Guardian Modaraba

2,503 (2014: 3,149) units of Rs 5,000 each

12.1	9,384	11,808
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Units of Mutual Funds

12.2	825,276	222,563
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#### **Held to maturity**

##### Treasury Bills

12.3	-	361,905
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834,660	596,276
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**12.1** The term finance certificates originally had a term of 5 years and carried profit at the rate of six months KIBOR plus 1.3% (effective annual rate of 11.84%) payable semi annually with maturity on 7 July 2014. On 7 January 2011 the borrower defaulted in the payment of interest and entered into a restructuring agreement with the TFC holders. As per the revised terms, the principal amount will be redeemed in varying monthly principal instalments commencing from 7 August 2011 and ending on 7 December 2016. The certificates now carry markup at the rate of one month KIBOR (effective annual rate of 12.09%) payable on monthly basis along with the accrued profit before the restructuring. The fair value of the above investment has been valued using rate notified by Mutual Fund Association of Pakistan.



## Notes to the Financial Statements

12.2	2015	2014	Name of Investee Company	Note	2015	2014
	----- (Units) -----				----- (Rupees in '000) -----	
	<b>7,514,747</b>	-	- Meezan Islamic Fund		<b>459,226</b>	-
	<b>9,681,658</b>	-	- NAFA Islamic Asset Allocation		<b>154,818</b>	-
	<b>5,384,288</b>	-	- NAFA Islamic Stock Fund		<b>59,342</b>	-
	<b>2,492,836</b>	-	- MCB - PIEIAAF		<b>151,890</b>	-
	-	552,342	- UBL Liquidity Plus Fund		-	55,437
	-	553,527	- HBL Money Market Fund		-	55,183
	-	559,739	- MCB Cash Management Optimizer		-	55,974
	-	5,589,570	- NAFA Money Market Fund		-	55,969
	<b>25,073,528</b>	<b>7,255,178</b>			<b>825,276</b>	<b>222,563</b>

**12.3** These represent investments in three treasury bills of six month carrying profit rate ranging from 9.77% to 9.98% which has been matured between Sep-14 to Dec-14.

### 13. CASH AND BANK BALANCES

	2015	2014
	----- (Rupees in '000) -----	
Cash in hand	<b>222</b>	71
With banks in:		
- Current accounts	<b>172</b>	51
- Saving accounts	<b>101,566</b>	71,550
- Deposit account	<b>62</b>	62
- Dividend accounts	<b>12,521</b>	11,479
	<b>114,321</b>	83,142
	<b>114,543</b>	83,213

**13.1** Saving accounts carry profit ranging from 4.5% to 8.25% per annum (2014: 5% to 8.25% per annum).

### 14. TRADE AND OTHER PAYABLES

	2015	2014
	----- (Rupees in '000) -----	
		(Restated)
Creditors	<b>22,707</b>	61,078
Payable against purchase of operating fixed assets	<b>36,453</b>	29,997
Salaries, wages and benefits payable	<b>97,476</b>	81,961
Accrued compensated absences	<b>46,174</b>	42,166
Sales tax payable	<b>31,362</b>	17,834
Withholding tax payable	<b>9,516</b>	9,124
Provision for fire tax	<b>37,023</b>	37,023
Unclaimed dividend	<b>105,453</b>	92,835
Workers' welfare fund	<b>28,377</b>	28,226
Workers' profit participation fund	<b>37,746</b>	(1,145)
Advances from customers	<b>2,740</b>	36,903
Utilities	<b>23,758</b>	18,175
Payable to gratuity fund	<b>32,679</b>	6,405
Deposits repayable on demand	<b>7,105</b>	5,430
Others	<b>19,536</b>	16,544
	<b>538,105</b>	482,556

## Notes to the Financial Statements

	2015	2014
	----- (Rupees in '000) -----	
<b>14.1 Employees' compensated absences</b>		
Balance at beginning of the year	42,166	36,212
Charge for the year	4,008	5,954
Balance at end of the year	46,174	42,166

### 14.2 Provision for fire tax

The Karachi Metropolitan Corporation (KMC) vide notification No.FB/DCFO/ENH-F.T-81/2001 dated 23 May 2001 changed the basis of charging Fire Tax and specified that this tax should be charged on the basis of water consumed. Previously, the fire tax was being levied on the basis of net annual rental value of the property as part of the property tax. The Company has filed a constitutional petition before the Honourable High Court of Sindh, Karachi challenging the above notification which is still pending. As a matter of abundant caution and without prejudice to the Company's contention in appeal, the management has made provision in respect of the above tax.

	Note	2015	2014
		----- (Rupees in '000) -----	
<b>14.3 Workers' welfare fund</b>			
Balance as at 1 July		28,226	24,635
Provision for the year	26	13,727	13,576
Charge of prior year		263	10,953
Payments / adjustments during the year		(13,839)	(20,938)
		28,377	28,226

### 14.4 Workers' profit participation fund

Balance as at 1 July		(1,145)	24,802
Add:			
Allocation for the year	26	37,746	32,855
Received from Fund		1,145	-
Interest on funds utilised in the Company's business	27	142	217
		39,033	33,072
		37,888	57,874
Paid during the year		(142)	(59,019)
		37,746	(1,145)

**14.5** These represent interest free security deposits received from various contractors / suppliers.

**14.6** This includes an amount of Rs. 8.236 million (2014: Rs. 4.132 million) payable to Pakistan Security Printing Corporation (Private) Limited, in respect of certain expenses incurred on behalf of the Company.

## 15. SHORT TERM FINANCE AND OTHER FACILITIES

### 15.1 Running finance

At 30 June 2015, the Company has running finance facility from National Bank of Pakistan and Bank Al Habib Limited amounting to Rs 100 million each (2014: Rs 100 million facility from National Bank of Pakistan and Bank Al Habib Limited).



## Notes to the Financial Statements

The arrangements are secured by way of hypothecation on stores, spares, loose tools, stock-in-trade and book debts of the Company and are available till 31 December 2015. The outstanding balance against these facilities will be subject to mark-up at the rate prevailing on the last working day of each preceding month for the end of each calendar quarter Karachi Inter Bank Offered Rate (KIBOR-1month) plus 1.25 basis points for National Bank of Pakistan (2014: one month's Karachi Inter Bank Offered Rate (KIBOR) plus 1.25 basis points) and three months KIBOR of preceding 6 working days of each calendar quarter on the basis of arithmetic mean for Bank Al Habib Limited.

### 15.2 Import letter of credit (sight / usance)

As at 30 June 2015, the Company has facilities from the National Bank of Pakistan and Bank AL Habib Limited relating to import letters of credit (sight / usance) amounting to Rs 100 million each (2014: Rs 100 million facility from National Bank of Pakistan and Bank Al Habib Limited).

### 15.3 Letter of Guarantee Facility

As at 30 June 2015, the Company has facilities from National Bank of Pakistan and Bank Al Habib Limited relating to letters of guarantee as follows:

	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
Total facility available	<u>120,000</u>	<u>120,000</u>
Utilised facility	<u>40,982</u>	<u>21,562</u>

In addition to above facility, Company has also taken one time facility during the year of Rs 175 million for letter of Guarantee issued to NADRA against advance payment for supply of CRC paper. Out of which Rs 161.46 million has been utilised

2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
--------------------------------------	--------------------------------------

## 16. LONG TERM LOAN - secured

Balance as at 1 July	<u>323,451</u>	484,665
Repayments during the year	<u>(161,214)</u>	(161,214)
	<u>162,237</u>	323,451
Current maturity shown under current liabilities	<u>(120,988)</u>	(161,214)
	<u>41,249</u>	<u>162,237</u>

The Company has acquired facility amounting to Rs 283.37 million (2014: Rs 434 million) from Bank Al Habib Limited for purchase & installation of plant and machinery for balancing, modernisation and replacement of existing machinery. The entire financing is to be availed by 31 December 2015 (2014: 31 December 2014) and carries mark-up at three months Karachi Inter Bank Offer Rate (KIBOR) at effective annual rate of 9.65% (2014: 9.62%).

These facilities are secured by Pakistan Investment Bond of the Company having face value of Rs 950 million. The facility availed is re-payable in 5 years in 20 equal quarterly installments starting from the date of disbursement. The Company has an option to prepay the loan without incurring any penalty.

## Notes to the Financial Statements

### 17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2015			2014		
	Minimum lease payments	Finance charge	Present value of minimum lease payments	Minimum lease payments	Finance charge	Present value of minimum lease payments
	----- (Rupees in '000) -----					
Not later than one year	4,932	1,141	3,791	5,890	1,341	4,549
Later than one year and not later than five years	12,053	1,375	10,678	12,256	1,630	10,626
	<u>16,985</u>	<u>2,516</u>	<u>14,469</u>	<u>18,146</u>	<u>2,971</u>	<u>15,175</u>

17.1 The above represents finance leases entered into with financial institutions for lease of motor vehicles. The liability under the agreement is payable by May 2020 in monthly installments and is subject to annual finance charge rates ranging from 8.51% to 10.01% (2014: 10.98% to 11.68%)

	2015	2014
	----- (Rupees in '000) -----	
Deferred tax liability arising due to accelerated tax depreciation	326,104	339,124
Provision for gratuity fund - routed through other comprehensive income	-	4,482
Deferred tax asset arising in respect of:		
Provision for slow moving inventory, doubtful debts and fire tax	(35,054)	(30,980)
Leased assets	(457)	(985)
	<u>(35,511)</u>	<u>(31,965)</u>
	<u>290,593</u>	<u>311,641</u>

### 19. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	2015	2014		2015	2014
	(Number of shares)				
	1,250,000	1,250,000	Ordinary shares fully paid in cash	12,500	12,500
	58,005,984	48,129,986	Ordinary shares issued as fully paid bonus shares	580,059	481,299
	<u>59,255,984</u>	<u>49,379,986</u>		<u>592,559</u>	<u>493,799</u>





## Notes to the Financial Statements

19.1 The following shares are held by the related parties of the Company as at 30 June 2015:

Name of related party	2015		2014	
	Shares held	Percentage	Shares held	Percentage
Pakistan Security Printing Corporation (Private) Limited	23,721,739	40.03%	19,768,116	40.03%
Summer Holding A.S. (Turkey)	5,925,565	10.00%	4,937,971	10.00%
Industrial Development & Renovation Organisation of Iran, Tehran (Iran)	5,925,565	10.00%	4,937,971	10.00%

## 20. CONTINGENCIES AND COMMITMENTS

### 20.1 Contingencies

	Note	2015 ----- (Rupees in '000) -----	2014
Income tax	20.1.1	10,221	10,221
Claims against the Company not acknowledged as debt	20.1.2	2,379	1,120
Sales Tax on Services	20.1.3	4,163	-
		<b>16,763</b>	<b>11,341</b>

20.1.1 The Income Tax authorities had raised a demand of Rs 43.991 million against the Company under Section 12(9A) of the repealed Income Tax Ordinance, 1979 in respect of assessment year 2000-01. The Company had filed appeal against this demand before Income Tax Appellate Tribunal (ITAT). The Company had also filed reference before the Alternate Dispute Resolution Committee (ADRC). Based on the recommendation of the ADRC, the Revenue Division, Federal Board of Revenue (formerly Central Board of Revenue) had issued an order as a result of which the above 'demand was reduced to approximately Rs 10.221 million.

During the financial year ended 30 June 2006, the ITAT through its order dated 15 September 2005 decided the matter in favour of the Company by deleting the above demand of Rs 43.991 million. The Income Tax department has filed an appeal against this order before the Sindh High Court, which is currently pending. Management is confident that the eventual outcome of the matter will be decided in favour of the Company and accordingly no provision has been made in these financial 'statements in respect of this demand.

20.1.2 This represents claims filed by certain ex-employees against the Company.

During the period an ex-employee filed suit against the company for the recovery of the full and final settlement of dues which worked out to be Rs 1.259 million. However the company filed a counter affidavit for claiming Rs 8.893 million as net recoverable from ex-employee. The recovery of this amount is dependent on the outcome of the case.

20.1.3 During the year Assistant Commissioner (AC), Sindh Revenue Board had passed an order No: 450/2014 dated 05 August 2014 for payment of Sales Tax on Services for the years ended June 30, 2011, 2012 and 2013 on technical services received from M/s Sptec GmbH. AC had categorized the services under tariff heading 9823.0000 (Franchise Services). The Company had filed an appeal with Commissioner (Appeals) Sindh Revenue Board who had passed an order No: 60/2015 dated 24 February 2015 and upheld the order of the Assistant Commissioner. The company had filed an appeal with Appellate Tribunal of Sindh Revenue Board which is still pending for hearing. The management is confident that the outcome of the tribunal would be in its favor.

## Notes to the Financial Statements

	Note	2015 ----- (Rupees in '000) -----	2014
<b>20.3 Commitments</b>			
Capital expenditure contracted for but not incurred		6,414	7,651
Commitments against letters of credit		63,885	96,944
		<b>70,299</b>	<b>104,595</b>
<b>21. SALES - net</b>			
Banknote paper		1,993,826	1,883,399
Non-banknote paper:			
- Commercial paper		60,567	160,298
- Others		450,767	572,607
		511,334	732,905
		2,505,160	2,616,304
Sales tax		(364,209)	(380,285)
		<b>2,140,951</b>	<b>2,236,019</b>
<b>22. COST OF SALES</b>			
Opening stock of raw materials		191,355	187,188
Add: Purchases - net		551,605	620,715
		742,960	807,903
Less: Closing stock of raw materials	8	(156,707)	(191,355)
Raw materials consumed		586,253	616,548
Salaries, wages and benefits	22.1	278,044	265,137
Defence security guards		18,330	19,118
Manufacturing services		59,998	45,192
Technical assistance fee		2,129	13,892
Stores, spares and loose tools consumed		96,165	113,363
Utilities		239,837	191,097
Repairs and maintenance		31,009	26,340
Insurance		3,973	3,910
Rent, rates and taxes		1,091	987
Depreciation	4.1.1	197,471	190,629
Other expenses		15,056	12,668
		1,529,356	1,498,881
Opening stock of work-in-process and semi-finished goods		79,966	170,276
Less: Closing stock of work-in-process and semi-finished goods		(160,272)	(79,966)
Cost of goods manufactured		1,449,050	1,589,191
Opening stock of finished goods		106,409	92,426
Less: Closing stock of finished goods		(90,224)	(106,409)
		<b>1,465,235</b>	<b>1,575,208</b>

### 22.1 Employee retirement benefits

Salaries, wages and benefits include Rs 24.557 million (2014: Rs 24.399 million) in respect of employee retirement benefits.



## Notes to the Financial Statements

	Note	2015 ----- (Rupees in '000) -----	2014
<b>23. ADMINISTRATION AND GENERAL EXPENSES</b>			
Salaries, wages and benefits	23.1	<b>134,015</b>	123,786
Rent, rates and taxes		<b>610</b>	717
Travelling expenses including those of directors Rs. 2.47 million (2014: Rs 1.55 million)		<b>4,567</b>	2,775
Printing and stationery		<b>2,633</b>	2,181
Repairs and maintenance		<b>4,446</b>	7,405
Packing and forwarding		<b>2,181</b>	3,186
Advertisement		<b>4,041</b>	3,407
Training		<b>724</b>	2,366
Software expenses		<b>280</b>	864
Communication		<b>2,374</b>	2,516
Entertainment		<b>1,458</b>	2,107
Legal and professional		<b>3,325</b>	4,068
Depreciation	4.1.1	<b>6,432</b>	6,350
Others		<b>3,331</b>	3,091
		<b>170,417</b>	164,818

**23.1** Salaries, wages and benefits include Rs 10.361 million (2014: Rs 10.728 million) in respect of employee retirement benefits.

## 24. EMPLOYEE RETIREMENT BENEFITS

### 24.1 Gratuity

The Company operates an approved gratuity fund for its eligible employees. Actuarial valuation is carried out on an annual basis and the latest valuation was carried out at 30 June 2015. The projected unit credit method, using the following significant assumptions has been used for the actuarial valuation.

	2015	2014
<b>24.1.1 Actuarial assumptions</b>		
a) Discount rate	<b>9%</b>	13.0%
b) Salary Increase Rate - Short Term	<b>11%</b>	12.0%
c) Salary Increase Rate - Long Term	<b>8%</b>	12.0%
d) Interest Credit Rate	<b>9%</b>	13.0%
e) Expected return on plan assets	<b>9%</b>	13.0%

## Notes to the Financial Statements

	Note	2015 ----- (Rupees in '000) -----	2014
<b>24.1.2 Amounts recognised in the balance sheet are as follows:</b>			
Present value of defined benefit obligations	24.1.4	<b>316,026</b>	270,015
Fair value of plan assets	24.1.5	<b>(283,347)</b>	(263,610)
Liability on balance sheet		<b>32,679</b>	6,405
<b>24.1.3 Movement in net liability / (asset) recognised:</b>			
Opening net liability/(asset)		<b>6,405</b>	(12,878)
Expense recognized during the period		<b>18,185</b>	19,519
Other comprehensive income		<b>14,661</b>	17,008
Contributions and benefits paid on behalf of the fund		<b>(6,572)</b>	(17,244)
Closing net liability		<b>32,679</b>	6,405
<b>24.1.4 Movement in present value of defined benefit obligations</b>			
Opening present value of obligation		<b>270,015</b>	260,080
Current service cost		<b>4,763</b>	8,390
Interest cost		<b>13,421</b>	11,129
Benefits paid		<b>(16,718)</b>	(39,842)
Actuarial gain on obligation		<b>10,935</b>	(1,141)
Income distributed among the members		<b>33,610</b>	31,399
Closing present value of obligation		<b>316,026</b>	270,015
<b>24.1.5 Movement in the fair value of plan assets</b>			
Opening fair value of plan assets		<b>263,610</b>	272,958
Expected return on plan assets		<b>33,610</b>	31,399
Actuarial gain on plan assets		<b>(3,725)</b>	(18,149)
Benefits paid		<b>(16,720)</b>	(39,842)
Contribution by Company		<b>6,572</b>	17,244
Closing fair value of plan assets		<b>283,347</b>	263,610
<b>24.1.6 Expense recognised in the profit and loss account</b>			
Current service cost		<b>4,763</b>	8,390
Net Interest cost		<b>(20,188)</b>	(20,270)
Income distributed among members		<b>33,610</b>	31,399
Cost for the year		<b>18,185</b>	19,519
<b>24.1.7 Return on plan assets is as follows:</b>			
Expected return on plan assets		<b>33,610</b>	31,399
Actuarial gains on plan assets		<b>(3,725)</b>	(18,149)
Return on plan assets		<b>29,885</b>	13,250



## Notes to the Financial Statements

	2015	2014
<b>24.1.8 Plan assets comprised of following</b>		
Defence Saving Certificates (DSCs)	<b>19%</b>	18%
Regular Income Certificates (RICs)	<b>25%</b>	26%
Special Saving Certificates (SSCs)	<b>52%</b>	52%
Bank account and short-term deposits	<b>4%</b>	4%
	<b>100.00%</b>	100%

### 24.1.9 (Surplus) / deficit on the plan assets are as follows:

	2015	2014	2013	2012	2011
	----- (Rupees in '000) -----				
			(Restated)	(Restated)	
Present value of defined benefit obligation	<b>316,026</b>	270,015	260,080	263,266	243,342
Fair value of plan assets	<b>283,347</b>	263,610	272,958	254,221	215,605
Deficit / (surplus)	<b>32,679</b>	6,405	(12,878)	9,045	27,737

### 24.1.10 5 years data on experience adjustments are as follows:

(Gain) / loss on obligation	<b>10,935</b>	(1,141)	(24,867)	(7,809)	(9,676)
(Gain) / loss on plan assets	<b>3,725</b>	18,149	(15,824)	7,979	(18,768)

**24.1.11** The investment income of the fund is distributed among the members of the fund. Accordingly, expected return on plan assets has not been taken in the gratuity cost for the year ended 30 June 2015.

**24.1.12** The information provided in notes 24.1.1 to 24.1.10 has been obtained from the valuation carried out by independent actuaries as at 30 June 2015.

## 24.2 Defined contribution plan

	2015 Un-audited	2014 Audited
	----- (Rupees in '000) -----	
Size of the trust	<b>382,791</b>	347,126
Cost of investment made	<b>277,246</b>	266,199
Percentage of the investment made	<b>72.43%</b>	76.69%
Fair value of investment made	<b>277,246</b>	266,199

## Notes to the Financial Statements

	2015		2014	
	Un-Audited		Audited	
	Investment Rs in 000	% of Investment as size of the fund	Investment Rs in 000	% of Investment as size of the fund
<b>24.2.1 Breakup of investment</b>				
Special Saving Certificates	131,851	47.6%	123,193	46.28%
Pakistan Investment Bond	144,820	52.2%	142,460	53.52%
Mutual Fund	575	0.2%	546	0.21%
	<u>277,246</u>		<u>266,199</u>	

Investment out of provident fund have been made in accordance with the provision of the section 227 of companies ordinance, 1984 and the rules formulated for the purpose.

	Note	2015 ----- (Rupees in '000) -----	2014
<b>25. OTHER INCOME</b>			
Income from financial assets			
Amortisation of discount on Pakistan Investment Bond		10,069	7,021
Gain on redemption of Mutual Fund		52,189	-
Dividend income on Mutual Fund		14,556	-
Reversal of impairment on term finance certificates		808	997
Mark-up on:			
- Pakistan Investment Bonds		170,497	98,882
- Treasury Bills		10,593	78,666
- Term Finance Certificates -Sukuk		1,277	1,752
- Bank deposits and savings account		7,366	10,036
- Security deposits		516	563
- Loan to employees		10	25
		<u>267,881</u>	<u>197,942</u>
<b>Income from non-financial assets</b>			
Gain on sale of property, plant and equipment		1,468	572
Exchange Gain		4,948	-
Sale of waste materials		5,519	12,381
Other income		2,276	2,684
		<u>14,211</u>	<u>15,637</u>
		<u>282,092</u>	<u>213,579</u>
<b>26. OTHER CHARGES</b>			
Workers' profit participation fund	14.4	37,746	32,855
Workers' welfare fund	14.3	13,727	13,576
Donation	26.1	4,846	5,295
Auditors' remuneration	26.2	1,007	1,208
Exchange loss - net		-	3,472
		<u>57,326</u>	<u>56,406</u>





## Notes to the Financial Statements

### 26.1 Donation

None of the directors or their spouses had any interest in any of the donees.

### 26.2 Auditors' remuneration

	Note	2015	2014
		----- (Rupees in '000) -----	
Audit fee		635	605
Review of half yearly financial statements		115	114
Special certification, Code of Corporate Governance and other services		95	282
Out of pocket expenses		162	207
		<b>1,007</b>	<b>1,208</b>

### 27. FINANCE COSTS

Interest / mark-up on:			
- long-term finance		23,718	39,165
- short-term finance		760	676
- finance leases		1,207	1,298
- workers' profit participation fund	14.4	142	217
Bank charges		937	1,139
		<b>26,764</b>	<b>42,495</b>

### 28. TAXATION - net

Current			
- for the year		213,927	217,866
- for prior year		4,508	8,242
		<b>218,435</b>	<b>226,108</b>
Deferred		(21,048)	(27,294)
		<b>197,387</b>	<b>198,814</b>

### 28.1 Reconciliation between tax expense and accounting profit

Accounting profit before taxation		703,301	610,671
Tax on accounting profit @ 33% (2014: 34%)		232,089	207,628
Rebates under section 61, 65A and 65B of the Ordinance		(23,246)	(8,328)
Tax at reduced rate		(4,969)	-
Tax effect of permanent differences		1,313	1,363
Effect of reduction in tax rate		(9,856)	(9,307)
Super tax		20,179	-
Exempt income		(12,042)	-
Tax effect of prior year		4,509	8,242
Others		(10,589)	(784)
		<b>197,388</b>	<b>198,814</b>
Average rate of tax		<b>28%</b>	<b>33%</b>

## Notes to the Financial Statements

The income tax assessments of the Company have been finalised up to and including the assessment year 2002-2003. Tax returns of subsequent tax years are deemed to be assessed under provisions of the Income Tax Ordinance, 2001 ("the Ordinance") unless selected for an audit by the taxation authorities. The Commissioner of Income Tax may, at any time during a period of five years from date of filing of return, select the deemed assessment order for audit.

The return of income for tax year 2011 has been selected for tax audit through parametric computer ballot by the Federal Board of Revenue on 25 February 2013 under section 214C of the Income Tax Ordinance 2001. The Assistant Commissioner Inland Revenue passed order No: 06/161 dated January 29, 2014 under section 122(1)(5) of the ordinance raising a demand of Rs 4.74 million. Company has filed an appeal against the order before the Commissioner (Appeals) which has been decided on 15 December 2014 as under:

- The CIR (A) has directed the Tax officer to examine & verify from the record that the provision for the compensated absences has subsequently been paid and then delete the allowance.
- The CIR (A) has maintained the action of tax officer in computing the Workers' Welfare Fund Liability at the rate of 2% on accounting profit being higher than the declared income.
- The CIR (A) has directed the Tax officer to dispose off the rectification application of the company relating to the allowability of credit for taxes paid at Rs 37.059 million allowed in the amended order as against the claim of Rs 37.331 million.

The company has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the above appellate order of CIR(A). The hearing of appeal filed before the ATIR is still pending.

The Company had previously exercised option of being assessed under the Final Tax Regime (FTR) in respect of goods manufactured by it, which was valid for tax years 2005 to 2007. However, due to the amendments made by the Finance Act, 2005 and insertion of clause (41A) of Part IV of the second schedule to the Ordinance, the facility of assessment under FTR available for tax years 2006 and 2007 has been withdrawn. The Company has filed a constitutional petition with the High Court challenging the withdrawal of the facility upto and including tax year 2007. The High Court has admitted the petition for hearing. Based on tax advice, the Company has filed returns of income for tax years 2006 and 2007 under FTR. The liability for the aforesaid tax years has however been recorded in these financial statements under the Normal Tax Regime. Further, the tax return for the tax years 2006 and 2007 are deemed to be assessed under provisions of the Income Tax Ordinance, 2001 ("the Ordinance") unless selected for an audit by the taxation authorities at any time during a period of five years from the date of filling. According to legal advice, since the period of five years has lapsed, tax years 2006 and 2007 are time barred for selection of audit.

**28.2** The Finance Act, 2015 introduced a new tax under Section 5A of the Income Tax Ordinance, 2001 on every public company other than a scheduled bank or modaraba, that derives profits for tax year and does not distribute cash dividend within six months of the end of said tax year or distribute dividends to such an extent that its reserves, after such distribution, are in excess of 100% of its paid up capital. However, this tax on undistributed reserves is not applicable to a public company which distributes profit equal to either 40 percent of its after tax profits or 50% of its paid up capital, whichever is less, within six months of the end of the tax year.

The Board of Directors in their meeting held on 31 July 2015 has distributed sufficient cash dividend for the year ended 30 June 2015 (refer note 38) which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognized in these financial statements for the year ended 30 June 2015.



## Notes to the Financial Statements

### 29. EARNINGS PER SHARE

	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
Profit after taxation	<u>505,914</u>	<u>411,857</u>
	<b>(Number of shares)</b>	
		<b>(Restated)</b>
Weighted average number of ordinary shares	<u>59,255,985</u>	<u>59,255,985</u>
	<b>(Rupees)</b>	
		<b>(Restated)</b>
Earnings per share - basic and diluted	<u>8.54</u>	<u>6.95</u>

29.1 There were no convertible dilutive potential ordinary shares in issue as at year end.

### 30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration including certain benefits to the Chief Executive, Directors and Executives of the Company are as follows:

	2015			2014		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	----- (Rupees in '000) -----					
Directors' fee	2,781	12,813	-	-	4,946	-
Managerial remuneration (including bonus)	2,684	-	47,284	16,000	-	52,261
Housing, utilities and other perquisites	965	-	21,951	2,027	-	24,684
Retirement benefits	-	-	5,013	-	-	5,316
Medical	-	-	3,097	-	-	3,298
<b>Total</b>	<u>6,430*</u>	<u>12,813</u>	<u>77,345</u>	<u>18,027</u>	<u>4,946</u>	<u>85,559</u>
Number of persons	<u>1</u>	<u>11</u>	<u>34</u>	<u>1</u>	<u>9</u>	<u>38</u>

\* It includes remuneration of former chief executive who worked part of the year

30.1 The Chief Executive who worked part of the year was provided with free use of Company's owned and maintained car and furnished Company maintained accommodation.

30.2 The Company also bears the travelling expenses of the Chief Executive and Directors relating to travel for official purposes including expenses incurred in respect of attending Board meetings.

30.3 The Chief Executive, Directors and Executives as above represent key management personnel of the Company, i.e. the personnel having authority and responsibility for planning, directing and controlling the activities of the Company.

## Notes to the Financial Statements

### 31. TRANSACTIONS WITH RELATED PARTIES

	2015			
	Key Management Personnel	Associated under- takings	Others	Total
	----- (Rupees in '000) -----			
<b>Transactions during the year:</b>				
Sale of goods to Pakistan Security Printing Corporation (Private) Limited - net	-	<u>2,089,394</u>	-	<u>2,089,394</u>
Remuneration to key management personnel	<u>96,588</u>	-	-	<u>96,588</u>
<b>Balance outstanding at the year end</b>				
Receivable from Pakistan Security Printing Corporation (Private) Limited - net	-	<u>244,454</u>	-	<u>244,454</u>

	2014			
	Key Management Personnel	Associated under- takings	Others	Total
	----- (Rupees in '000) -----			
<b>Transactions during the year:</b>				
Sale of goods to Pakistan Security Printing Corporation (Private) Limited - net	-	<u>2,099,150</u>	-	<u>2,099,150</u>
Purchase of goods from Pakistan Cables Limited	-	-	<u>7,839</u>	<u>7,839</u>
Remuneration to key management personnel	<u>108,532</u>	-	-	<u>108,532</u>
<b>Balance outstanding at the year end</b>				
Receivable from Pakistan Security Printing Corporation (Private) Limited - net	-	<u>282,054</u>	-	<u>282,054</u>
Advance to Pakistan Cables Limited	-	-	<u>525</u>	<u>525</u>



## Notes to the Financial Statements

The Company has related party relationship with its associated undertakings, employee benefit plans and its directors and executive officers. Transactions with related parties essentially entail sale and purchase of goods and / or services from the aforementioned concerns.

All sales transactions with Pakistan Security Printing Corporation (Private) Limited are carried out by the Company using the "Cost Plus Mark-up Method". Transactions with employee benefit funds are carried out based on the terms of employment of the employees and according to the actuarial advice. All other transactions are carried out on commercial terms.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The Company considers all members of their management team, including the Chief Executive Officer and Directors to be its key management personnel.

There are no transactions with key management personnel other than under their terms of employments / entitlements. Balances outstanding from related parties are interest free, unsecured and repayable on demand. Particulars of transactions with workers' profit participation fund and employee retirement benefit and contribution funds are disclosed in notes 14.4 and 24 to the financial statements.

	2015	2014
	(Tons)	
<b>32. PRODUCTION CAPACITY</b>		
Total Installed Capacity - on three shift basis	<u>2,500</u>	<u>2,500</u>
Available installed capacity -based on available three shift working days	<u>2,481</u>	<u>2,468</u>
Actual production	<u>2,210</u>	<u>2,405</u>

The short capacity utilisation during the year was due to scheduled plant (PM-2) shut down of 11 days (2014: 23 days) for maintenance purposes.

	Note	2015	2014
		----- (Rupees in '000) -----	
<b>33. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		<b>703,301</b>	610,671
<b>Adjustments for:</b>			
Depreciation		<b>203,903</b>	196,979
Un-recognised actuarial loss / (gain) - net		-	(23,683)
Gain on disposal of property, plant and equipment		<b>(1,468)</b>	(572)
Reversal of impairment on term finance certificates		<b>(808)</b>	(997)
Amortisation of discount		<b>(10,069)</b>	(7,021)
Gain on redemption of investments		<b>(52,189)</b>	-
Mark-up on investments		<b>(182,377)</b>	(179,225)
Mark-up on bank deposits and saving accounts		<b>(7,366)</b>	(10,036)
Mark-up on security deposits		<b>(516)</b>	(563)
Finance costs		<b>26,764</b>	42,495
Working capital changes	33.1	<b>(10,562)</b>	131,501
		<b>(34,688)</b>	148,878
		<b>668,613</b>	759,549

## Notes to the Financial Statements

	2015	2014
	----- (Rupees in '000) -----	
<b>33.1 Working capital changes</b>		
<b>(Increase) / decrease in current assets</b>		
Stores, spares and loose tools	6,860	(3,614)
Stock-in-trade	(29,473)	71,561
Trade debts	31,638	(11,357)
Advances, deposits, prepayments and other receivables	(62,518)	10,280
	<u>(53,493)</u>	<u>66,870</u>
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	42,931	64,631
	<u>(10,562)</u>	<u>131,501</u>

### 34. FINANCIAL INSTRUMENTS

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

#### 34.1 Credit risk

Credit risk represents the financial loss that would be recognised at the reporting date if counterparties fail completely to perform as contracted. Out of the total financial assets of Rs 2,828.166 million (2014: Rs 2,517.28 million), the financial assets which are subject to credit risk amounted to Rs 1,294.670 million (2014: Rs 693.73 million).

All investing transactions are settled / paid for upon delivery as per the advice of investment committee. The Company's policy is to enter into financial instrument contract by following internal guidelines such as approving counterparties and approving credits.

The bulk of the sales of the Company are made to Pakistan Security Printing Corporation (Private) Limited (PSPC) and the amount due from PSPC at the balance sheet constituted 7.02% (2014: 11.22%) of the total financial assets.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:



## Notes to the Financial Statements

	2015	2014
	----- (Rupees in '000) -----	
Investments	<b>834,660</b>	234,371
Trade debts	<b>252,764</b>	284,402
Deposits, accrued mark up and other receivables	<b>92,925</b>	91,812
Bank balances	<b>114,321</b>	83,142
	<b>1,294,670</b>	693,727

Investments comprise of Term Finance Certificates and Units of Mutual Funds. The analysis below summarises the credit quality of the Company's investments. Besides these investments, the Company also has investments in Treasury Bills and Pakistan Investment bonds as disclosed in note 12 and 6 to the financial statements.

	2015	2014
Term Finance Certificates (Refer note 12.1)	<b>D</b>	D
UBL Liquidity Plus Fund	-	AA + (f)
HBL money market	-	AA + (f)
MCB Cash Management Optimizer - Growth Fund	-	AA (f)
NAFA Money Market Fund	-	AA (f)
Meezan Islamic Stock Fund	<b>AM2+</b>	-
Nafa Islamic Stock Fund	<b>AM2+</b>	-
Nafa Islamic Asset Allocation Fund	<b>AM2+</b>	-
Pakistan International Element Islamic Asset Allocation Fund	<b>AM2+</b>	-

All the counterparties are of domestic origin. Aging of the trade debts is as under:

	2015		2014	
	Gross	Impairment	Gross	Impairment
	----- (Rupees in '000) -----			
Not past due	<b>252,519</b>	-	248,809	-
31-90	<b>160</b>	-	35,469	-
91-180	-	-	-	-
181-360	-	-	-	-
360 and above	<b>85</b>	-	2,028	1,904
	<b>252,764</b>	-	286,306	1,904

The movement in the allowance for impairment in respect of trade debts is as follows:



## Notes to the Financial Statements

	2015	2014
	----- (Rupees in '000) -----	
Opening balance	<b>1,904</b>	1,904
Written off	<b>(1,904)</b>	-
Closing balance	<u>-</u>	<u>1,904</u>

Based on the past experience the management believes that no impairment allowance is necessary in respect of unprovided past due amounts as there are reasonable grounds to believe that the amounts will be recovered in short course of time.

### 34.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as all obligations / commitments of the Company are short term in nature and are restricted to the extent of available liquidity. In addition, the Company has facilities of running finance amounting to Rs 200 million to meet any deficit, if required to meet the short term liquidity commitment.

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

	2015					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	----- (Rupees in '000) -----					
<b>Financial Liabilities</b>						
Long term loans	162,237	(171,498)	(76,594)	(52,257)	(41,404)	(1,243)
Trade and other payables	420,377	(432,652)	(385,556)	(11,544)	(35,553)	-
Liabilities against asset subject to finance lease	14,469	(16,985)	(2,445)	(2,231)	(4,046)	(8,263)
Accrued mark up	1,474	(1,474)	(1,474)	-	-	-
	<b>598,557</b>	<b>(622,609)</b>	<b>(466,069)</b>	<b>(66,032)</b>	<b>(81,003)</b>	<b>(9,506)</b>
	2014					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	----- (Rupees in '000) -----					
<b>Financial Liabilities</b>						
Long term loans	323,451	(363,345)	(96,109)	(91,860)	(132,101)	(43,275)
Trade and other payables	385,208	(385,208)	(385,208)	-	-	-
Liabilities against asset subject to finance lease	15,175	(18,146)	(2,884)	(3,006)	(7,564)	(4,692)
Accrued mark up	3,686	(3,686)	(3,686)	-	-	-
	<b>727,520</b>	<b>(770,385)</b>	<b>(487,887)</b>	<b>(94,866)</b>	<b>(139,665)</b>	<b>(47,967)</b>



## Notes to the Financial Statements

### 34.3 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.

#### 34.3.1 Currency risk

The Company is mainly exposed to currency risk on technical assistance fee payable to SPTEC GmbH in Euros and import of raw materials and fixed assets being denominated in US dollars and Euros.

The Company's exposure to foreign currency risk is as follows:

	2015			
	USD	GBP	Euro	Total
	------(Rupees in '000)-----			
Payable against purchase of operating fixed assets	-	-	24,010	24,010
Outstanding letters of credit	4,210	3,162	56,513	63,885
Net exposure	4,210	3,162	80,523	87,895

	2014			
	USD	GBP	Euro	Total
	------(Rupees in '000)-----			
Payable against purchase of operating fixed assets	-	-	28,428	28,428
Technical fee payable	-	-	4,486	4,486
Gross balance sheet exposure	-	-	32,914	32,914
Outstanding letters of credit	10,117	449	86,314	96,880
Net exposure	10,117	449	119,228	129,794

The following significant exchange rates have been applied:

	Reporting date rate	
	2015	2014
USD to PKR	101.70	98.75
GBP to PKR	159.91	168.13
Euro to PKR	114.79	134.73

#### Sensitivity analysis

At reporting date, if the PKR had strengthened / weakened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been higher / lower by the amount shown below, mainly as a result of foreign exchange gain / loss on translation of technical fee obligation and liability against purchase of fixed assets.

## Notes to the Financial Statements

	2015	2014
	----- (Rupees in '000) -----	
<b>Effect on profit</b>		
Increase / decrease	<u>1,609</u>	<u>2,172</u>

### 34.3.2 Interest rate risk

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was as follows:

	Note	2015	2014
		Carrying amount	
		----- (Rupees in '000) -----	
Financial assets			
<b>Fixed rate instruments</b>			
Pakistan Investment Bond	6	1,461,099	1,451,031
Treasury Bills	12	-	361,905
		<u>1,461,099</u>	<u>1,812,936</u>
<b>Variable rate instruments</b>			
Term Finance Certificates	12	<u>9,384</u>	<u>11,808</u>
<b>Financial liabilities</b>			
<b>Variable rate instruments</b>			
Long Term Loan	16	162,237	323,451
Liabilities against asset subject to Finance Lease	17	14,469	15,175
		<u>176,706</u>	<u>338,626</u>

### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit 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 2014.



## Notes to the Financial Statements

	<b>Effect on profit and loss</b>	
	<b>100 bp increase</b>	<b>100 bp decrease</b>
	<b>(Rupees in '000)</b>	
<b>As at 30 June 2015</b>		
Cash flow sensitivity - Variable rate instruments	<b>1,767</b>	<b>(1,767)</b>
<b>As at 30 June 2014</b>		
Cash flow sensitivity - Variable rate instruments	<b>3,386</b>	<b>(3,386)</b>

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets of the Company.

### 34.3.3 Other price risk

Other price risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the company's investment in Units of Mutual Fund and Term Finance Certificates of B.R.R. Guardian Modaraba.

A 10% increase / decrease in MUFAP rates at year end would have decreased / increased surplus on re-measurement of investments as follows:

	<b>2015</b>	<b>2014</b>
	<b>(Rupees in '000)</b>	
B.R.R. Guardian Modaraba Term Finance Certificates	<b>938</b>	<b>1,181</b>
Units of mutual funds	<b>82,528</b>	<b>22,256</b>

The sensitivity analysis prepared is not necessarily indicative of the effects on other comprehensive income, equity and assets of the Company.

### 34.4 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities 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.

#### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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 or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

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

## Notes to the Financial Statements

	Level 1	Level 2	Level 3
	----- (Rupees in '000) -----		
<b>30 June 2015</b>			
<b>Available for sale investments</b>			
B.R.R. Guardian Modaraba Term Finance Certificates	-	-	9,384
Units of Mutual Funds	<u>825,276</u>	<u>-</u>	<u>-</u>
<b>30 June 2014</b>			
<b>Available for sale investments</b>			
B.R.R. Guardian Modaraba Term Finance Certificates	-	-	11,808
Units of Mutual Funds	<u>222,563</u>	<u>-</u>	<u>-</u>

### 35. OPERATING SEGMENTS

These financial statements have been prepared on the basis of a single reportable segment.

- 35.1 Revenue from bank notes represents 79.59% (2014 : 71.99%) of the total revenue of the Company.
- 35.2 All the sales of the Company are made to customers located in Pakistan.
- 35.3 All non-current assets of the Company at 30 June 2015 are located in Pakistan.
- 35.4 One customer (PSPC) of the Company accounts for 97.59% (2014: 93.87%) of total revenue of the Company for the year.

### 36. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safe guard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

### 37. CORRESPONDING FIGURES

Certain prior year figures have been reclassified for the purpose of comparison. There were no major reclassifications to report.



## Notes to the Financial Statements

### 38. GENERAL

- 38.1** The Board of Directors in its meeting held on 31 July 2015 has proposed a cash dividend in respect of the year ended 30 June 2015 of Rs 6/- per share (2014: Rs 5/- per share) and bonus issue of 0% (2014: 20%). In addition, the directors have also announced appropriation of Rs 150.37 million (2014: Rs 66.20 million) to revenue reserves. These appropriations will be approved in the forthcoming Annual General meeting. The financial statements for the year ended 30 June 2015 do not include the effect of these appropriations which will be accounted for subsequent to the year end.
- 38.2** The number of employees including contractual employees of the Company as at 30 June 2015 were 408 (2014: 403) and weighted average number of employees were 406 (2014: 406).
- 38.3** These financial statements were authorised for issue on 31 July 2015 by the Board of Directors of the Company.

**Muhammad Misbah Tunio**  
Chief Executive Officer

**Sheikh Mohammad Aijaz Akhtar**  
Director

## Pattern of Shareholding As At 30 June 2015

Number of Shareholders	Size of Holding Rs 10 Shares		Number of Shares
504	1	100	10,004
320	101	500	94,473
216	501	1,000	165,787
463	1,001	5,000	1,141,987
117	5,001	10,000	848,547
52	10,001	15,000	649,283
24	15,001	20,000	418,890
15	20,001	25,000	338,366
8	25,001	30,000	218,908
3	30,001	35,000	98,988
5	35,001	40,000	185,186
7	40,001	45,000	298,811
4	45,001	50,000	189,037
1	50,001	55,000	53,501
3	55,001	60,000	173,825
1	60,001	65,000	64,260
2	65,001	70,000	135,273
2	70,001	75,000	143,334
1	75,001	80,000	78,400
1	80,001	85,000	82,000
1	95,001	100,000	100,000
1	115,001	120,000	117,607
2	160,001	165,000	327,552
1	195,001	200,000	199,153
2	235,001	240,000	479,138
1	365,001	370,000	370,000
1	395,001	400,000	399,367
1	475,001	480,000	475,677
1	765,001	770,000	768,703
1	870,001	875,000	870,365
1	925,001	930,000	928,689
1	1,345,001	1,350,000	1,346,415
1	2,630,001	2,635,000	2,634,928
1	4,250,001	4,255,000	4,254,280
1	5,020,001	5,025,000	5,022,384
2	5,925,001	5,930,000	11,851,128
1	23,720,001	23,725,000	23,721,739
<b>1,769</b>	<b>TOTAL</b>	<b>59,255,985</b>	





## Pattern of Shareholding As At 30 June 2015

Categories of Shareholders	Number	Shares held	Percentage
<b>i. Associated Companies, Undertakings and Related Parties</b>	<b>3</b>	<b>35,572,867</b>	<b>60.03</b>
SUMER HOLDING A.S.	1	5,925,564	10.00
INDUSTRIAL DEVELOPMENT & RENOVATION ORGANIZATION OF IRAN	1	5,925,564	10.00
PAKISTAN SECURITY PRINTING CORPORATION (PVT.) LIMITED	1	23,721,739	40.03
<b>ii. Mutual Funds</b>	<b>2</b>	<b>2,677,428</b>	<b>4.52</b>
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	42,500	0.07
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	2,634,928	4.45
<b>iii. Directors and their Spouse(s) and minor children</b>	<b>2</b>	<b>1,787</b>	<b>0.00</b>
SHEIKH MOHAMMAD AIJAZ AKHTAR	2	1,787	0.00
<b>iv. Executives</b>	-	-	-
<b>v. Public Sector Companies and Corporations</b>	<b>5</b>	<b>7,119,366</b>	<b>12.01</b>
STATE LIFE INSURANCE CORPORATION OF PAKISTAN	2	5,022,607	8.48
PAKISTAN REINSURANCE COMPANY LIMITED	1	928,689	1.57
DEPUTY ADMINISTRATOR ABANDONED PROPERTIES ORGANIZATION	1	399,367	0.67
NATIONAL INVESTMENT TRUST LIMITED - ADMINISTRATION FUND	1	768,703	1.30
<b>vi. Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds</b>	<b>16</b>	<b>6,875,905</b>	<b>11.60</b>
HABIB BANK LIMITED	2	130	0.00
UNITED BANK LIMITED	1	318	0.00
MERCANTILE COOPERATIVE FINANCE	1	35,231	0.06
MUSLIM COMMERCIAL BANK LIMITED	1	153	0.00
E F U GENERAL INSURANCE LIMITED	1	749	0.00
INNOVATIVE INVESTMENT BANK LIMITED	1	1,428	0.00
THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED	1	4,254,280	7.18
NATIONAL BANK OF PAKISTAN	2	1,347,897	2.27
SAUDI PAK INDUSTRIAL & AGRICULTURAL INVESTMENT CO. LTD.- CAD	1	78,400	0.13
EFU LIFE ASSURANCE LIMITED	1	870,365	1.47
ALLIANZ EFU HEALTH INSURANCE LIMITED	1	36,600	0.06
TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	1	239,541	0.40
PROGRESSIVE INSURANCE COMPANY LTD	1	380	0.00
CDC - TRUSTEE PAKISTAN PENSION FUND - EQUITY SUB FUND	1	10,433	0.02
<b>General Public</b>	<b>1706</b>	<b>6,178,340</b>	<b>10.43</b>
a. Local	1706	6,178,340	10.43
b. Foreign	-	-	-

## Pattern of Shareholding As At 30 June 2015

Categories of Shareholders	Number	Shares held	Percentage
<b>Others</b>	<b>35</b>	<b>830,292</b>	<b>1.40</b>
FIKREE DEVELOPMENT CORPORATION	1	5,578	0.01
AZEEM SERVICES (PVT.) LIMITED	1	1	0.00
N. H. SECURITIES (PVT.) LIMITED	1	37	0.00
ASIAN SECURITIES LIMITED	1	28,723	0.05
PRUDENTIAL SECURITIES LIMITED	1	53	0.00
Y.S. SECURITIES & SERVICES (PVT.) LIMITED	1	102	0.00
DAWOOD FOUNDATION	1	239,597	0.40
MILLWALA SONS (PRIVATE) LIMITED	1	64	0.00
MOHAMAD AMIN BROS (PVT.) LIMITED	1	8,568	0.01
TRUSTEES SAEEDA AMIN WAKF	1	66,960	0.11
TRUSTEES MOHAMAD AMIN WAKF ESTATE	1	117,607	0.20
TRUSTEES AL-BADER WELFARE TRUST	1	58,809	0.10
TECHNOLOGY LINKS (PVT.) LIMITED	1	6,683	0.01
TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	1	8,404	0.01
S.H. BUKHARI SECURITIES (PVT.) LIMITED	1	921	0.00
CRESCENT COTTON MILLS LIMITED	1	522	0.00
TRUSTEES D.G.KHAN CEMENT CO.LTD.EMP. P.F	1	164,220	0.28
H M INVESTMENTS (PVT.) LIMITED	1	393	0.00
NH SECURITIES (PVT.) LIMITED	1	3,686	0.01
MAPLE LEAF CAPITAL LIMITED	1	1	0.00
M.R.A. SECURITIES (PVT) LIMITED	1	23,500	0.04
N. H . SECURITIES PVT. LIMITED	1	7	0.00
MULTILINE SECURITIES (PVT.) LIMITED	1	14,210	0.02
FDM CAPITAL SECURITIES (PVT) LIMITED	1	15,000	0.03
FEDERAL BOARD OF REVENUE	1	46,468	0.08
DJM SECURITIES (PRIVATE) LIMITED	1	1,900	0.00
NCC - PRE SETTLEMENT DELIVERY ACCOUNT	1	1,000	0.00
CLIKTRADE LIMITED	1	1	0.00
DARSON SECURITIES (PVT) LIMITED	1	1	0.00
M.R. SECURITIES (SMC-PVT) LIMITED	1	4,200	0.01
SEVEN STAR SECURITIES (PVT.) LIMITED	1	142	0.00
PEARL CAPITAL MANAGEMENT (PRIVATE) LIMITED	1	9	0.00
FIKREE'S (SMC-PVT.) LIMITED	1	5,357	0.01
AYUB CHAUDHRY INVESTMENTS (PVT) LIMITED	1	3,998	0.01
MUHAMMAD BASHIR KASMANI SECURITIES (PVT.) LIMITED	1	3,570	0.01
<b>Total</b>	<b>1,769</b>	<b>59,255,985</b>	<b>100.00</b>
<b>vii. Shareholders Holding five percent or more Voting Rights in the Listed Company</b>	<b>6</b>	<b>44,849,754</b>	<b>75.69</b>
PAKISTAN SECURITY PRINTING CORPORATION (PVT.) LIMITED	1	23,721,739	40.03
SUMER HOLDING A.S.	1	5,925,564	10.00
INDUSTRIAL DEVELOPMENT & RENOVATION ORGANIZATION OF IRAN	1	5,925,564	10.00
STATE LIFE INSURANCE CORPORATION OF PAKISTAN	2	5,022,607	8.48
THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED	1	4,254,280	7.18



## Company Information

### BOARD OF DIRECTORS

#### Non-executive Directors

##### Chairman

Mr. Kazi Abdul Muktadir - Nominee - PSPC

##### Directors

Sheikh Mohammad Aijaz Akhtar - Elected & Independent  
Mrs. Ayla Akin - Turkey - Nominee - SHAS  
Mr. Jamal Nasim - Elected - NIT  
Mr. Ajaz Ali Khan - Elected - SLIC  
Dr. Abolghassem Jamshidi - Iran - Nominee - IDRO  
Mr. Muhammad Ayub - Elected - PPCBL  
Ch. Mehboob Ilahi - Nominee - PSPC  
Mr. Shamsuddin Soomro - Nominee - PSPC

#### Executive Director

##### Chief Executive Officer

Mr. Muhammad Misbah Tunio - Nominee - PSPC

<i>PSPC</i>	-	<i>Pakistan Security Printing Corporation (Pvt.) Limited</i>
<i>NIT</i>	-	<i>National Investment Trust Limited</i>
<i>IDRO</i>	-	<i>Industrial Development and Renovation Organization of Iran</i>
<i>SHAS</i>	-	<i>Sumer Holding A.S. Genel Mudurlugu, Turkey (formerly SEKA)</i>
<i>SLIC</i>	-	<i>State Life Insurance Corporation of Pakistan</i>
<i>PPCBL</i>	-	<i>The Punjab Provincial Cooperative Bank Limited</i>

### BOARD AUDIT COMMITTEE

Sheikh Mohammad Aijaz Akhtar - Chairman  
Independent Director  
Mr. Kazi Abdul Muktadir - Member  
Non-executive Director  
Dr. Abolghassem Jamshidi - Member  
Non-executive Director  
Mr. Muhammad Ayub - Member  
Non-executive Director  
Mr. Babar Aijaz - Secretary  
Senior Manager (Internal Audit)

### BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Ajaz Ali Khan - Chairman  
Non-executive Director  
Mr. Jamal Nasim - Member  
Non-executive Director  
Mr. Muhammad Misbah Tunio - Member  
Chief Executive Officer  
Qazi Syed Imran Azam - Secretary  
General Manager (HR&A)



## Company Information

### BOARD INVESTMENT COMMITTEE

Mr. Muhammad Ayub Non-executive Director	- Chairman
Mr. Jamal Nasim Non-executive Director	- Member
Mr. Muhammad Misbah Tunio Chief Executive Officer	- Member
Mr. Rizwan Ul Haq Khan Chief Financial Officer	- Secretary

### MANAGEMENT AND STRATEGIC PLAN COMMITTEE

#### Chairman:

Mr. Muhammad Misbah Tunio	- Chief Executive Officer
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#### Members:

Mr. Rizwan Ul Haq Khan	- Chief Financial Officer
Mr. Muhammad Abdul Aleem	- Company Secretary
Mr. Faiz-Ul-Islam	- General Manager (Supply Chain)
Mr. Khalil Ahmed	- General Manager (Eng. Prod. & Projects)
Qazi Syed Imran Azam	- General Manager (HR&A)
Mr. Saadat Ali	- D.G.M. (QA/R&D)
Mr. Muhammad Abdul Qadir Jilani	- D.G.M. (IMS)
Mr. Imad Ahmed Khan	- D.G.M. (Process Systems, Mould & IT)
Mr. Babar Aijaz	- Senior Manager (Internal Audit)
Mr. Abrar Hussain	- Deputy Manager (Security)

### BANKERS

National Bank of Pakistan  
Faysal Bank Limited  
Habib Metropolitan Bank Limited  
Bank Alfalah Limited  
Bank Al Habib Limited  
Meezan Bank Limited

### AUDITORS

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

### TAX CONSULTANTS

A. F. Ferguson & Co.  
Chartered Accountants

### LEGAL ADVISORS

Mohsin Tayebaly & Co.  
Advocates & Legal Consultants

### REGISTERED OFFICE

Jinnah Avenue, Malir Halt,  
Karachi-75100.  
Tel. No: (+9221) 99248285  
Fax No: (+9221) 99248286  
E-mail: comsec@security-papers.com  
Website: <http://security-papers.com>  
[info.shares@famco.com.pk](mailto:info.shares@famco.com.pk)

### SHARE REGISTRAR

FAMCO Associates (Pvt.) Limited  
8-F, Next to Hotel Faran, Nursery,  
Block-6, P.E.C.H.S., Shahrah-e-Faisal,  
Karachi.  
Tel. No: (+9221) 34380101-5  
Fax No: (+9221) 34380106

### FACTORY

Jinnah Avenue, Malir Halt,  
Karachi-75100  
Tel. No: (+9221) 99248536-37  
Fax No: (+9221) 99248616



## Notice of Annual General Meeting

Notice is hereby given that the Fiftieth Annual General Meeting of Security Papers Limited will be held on Friday, the 28 August 2015 at 11:00 AM at Hotel Ramada Plaza, Karachi, Star Avenue, Terminal No.1, Jinnah International Airport, Karachi to transact the following business:

### A. ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 30 June 2015 together with the Reports of the Auditors and the Directors.
2. To approve the payment of cash dividend at the rate of Rs 6/- per share i.e. 60% for the year ended 30 June 2015 as recommended by the Board of Directors.
3. To appoint Auditors for the year 2015-16 and to fix their remuneration.

### B. SPECIAL BUSINESS

4. To consider and if thought fit, to pass the following as ordinary resolution:

#### "SPECIAL BUSINESS

To consider and if thought fit, to pass the following as ordinary resolution:

"RESOLVED that the Directors' remuneration for attending meetings of the Board / Committee(s) of the Board be and is hereby increased from Rs 95,000/= to Rs 160,000/=."

#### STATEMENT UNDER SECTION 160 (1) (b) OF THE COMPANIES ORDINANCE, 1984 REGARDING THE SPECIAL BUSINESS:

The existing amount of Directors' remuneration for attending the meetings of the Board / Committee(s) of the Board was Rs 95,000/= per meeting. The said amount had become inadequate and did not compensate for the increase in responsibilities of the Director. The proposed resolution seeks to revise the existing fee from Rs 95,000/= to Rs 160,000/= per meeting.

The Directors are interested in the Business to the extent of their remuneration"

Karachi,  
31 July 2015

By Order of the Board

(Muhammad Abdul Aleem)  
Company Secretary

## Notice of Annual General Meeting

### NOTES:

#### 1. Closure of Share Transfer Books

The Share Transfer Books of the Company will remain closed from 20 August to 28 August 2015 (both days inclusive). Transfers received in order at the office of Share Registrar, M/s. FAMCO Associates (Pvt.) Limited, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi by the close of business on 19 August 2015 will be considered in time to determine the above mentioned entitlement and to attend and vote at the Meeting.

#### 2. Participation in the Annual General Meeting

A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote on his/her behalf. The instrument appointing proxy must be received at the Registered Office of the Company duly stamped and signed not later than 48 hours before the meeting.

CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular No.1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

##### A. For Attending the Meeting:

- (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- (ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

##### B. For Appointing Proxies:

- (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- (ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC Numbers shall be mentioned on the form.
- (iii) Attested copies of CNIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (iv) The proxy shall produce his / her original CNIC or original Passport at the time of the meeting.
- (v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

#### 3. CNIC / NTN Number on Dividend Warrant (Mandatory)

As has already been notified from time to time, the Securities and Exchange Commission of Pakistan (SECP) vide Notification S.R.O. 19(I)/2014 dated 10th January 2014 read with Notification S.R.O. 831(1)/2012 dated July 5, 2012 required that the Dividend Warrant(s) should also bear the Computerized National Identity Card (CNIC) Number of the registered shareholder or the authorized person, except in case of minor(s) and corporate shareholder(s).

Henceforth, issuance of dividend warrant(s) will be subject to submission of CNIC (individuals) / NTN (corporate entities) by shareholders.



## Notice of Annual General Meeting

### 4. Deduction of Income Tax From Dividend Under Section 150 the Income Tax Ordinance, 2001 (Mandatory)

(i) Pursuant to the provisions of the Finance Act 2015 effective July 1, 2015, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

1. Rate of tax deduction for filer of income tax return 12.5%
2. Rate of tax deduction for non-filers of income tax return 17.5%

To enable the company to make tax deduction on the amount of cash dividend @ 12.5% instead of 17.5%, shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 17.5% instead of 12.5%

(ii) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder (s) based on their shareholding proportions, in case of joint accounts.

In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them to our Share Registrar, in writing as follows:

Company Name	Folio/CDS Account #	Total Shares	Principal Shareholder		Joint Shareholder	
			Name and CNIC #	Shareholding Proportion (No. of Shares)	Name and CNIC #	Shareholding Proportion (No. of Shares)

The required information must reach our Share Registrar within 10 days of this notice, otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s).

(iii) For any query/problem/information, the investors may contact the Company Secretary at phone: 021-99248285 and email address: comsec@security-papers.com and/or FAMCO Associates (Pvt.) Ltd. at phone 021-34380101-5 and email address: info.shares@famco.com.pk

(iv) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the company or FAMCO Associates (Pvt.) Ltd. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

### 5. Dividend Mandate (Optional)

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan (SECP) vide Circular No. 18 of 2012 dated June 05, 2012, a shareholder may, if so desire, direct the Company to pay dividend through his/her/its bank account under Section 250 of the Companies Ordinance, 1984.

Further, transferee of shares may exercise option for dividend mandate by using the revised "Form of Transfer Deed" available on Company's website. The revised form of transfer deed will enable the transferees to receive cash dividend directly in their bank accounts, if such transferee provides particulars of its bank account which he/she/it desires to be used for credit of cash dividend.

If they so desires the shareholders have the option to seek the dividend mandate by using the standardized "Dividend Mandate Form" available on Company's website <http://www.security-papers.com>.



## Notice of Annual General Meeting

### 6. Payment of Cash Dividend Electronically (Optional)

The SECP has initiated e-dividend mechanism through its letter No: 8(4) SM/CDC/2008 dated April 05, 2013. In order to avail benefits of e-dividend (such as instant credit of dividends, no chances of dividend warrants getting lost in the post, undelivered or delivered to the wrong address etc.) shareholders are hereby advised to provide details of their bank mandate specifying: (i) title of account, (ii) account number, (iii) bank name, (iv) branch name, code and address.

### 7. Consent for Electronic Transmission of Audited Financial Statements & Notices (Optional)

The Securities and Exchange Commission of Pakistan (SECP) through its Notification S.R.O. 787(I)/2014 dated 8th September 2014 has permitted companies to circulate Audited Financial Statements along with Notice of Annual General Meeting to its members through e-mail. Accordingly, members are hereby requested to convey their consent and e-mail address for receiving Audited Financial Statements and Notice through e-mail. In order to avail this facility a Standard Request Form is available at the Company's website <http://www.security-papers.com>.

### 8. Change of Address

Members are requested to notify any change in their addresses immediately.

Shareholders are requested to provide above mentioned information/documents to (i) respective Central Depository System (CDS) Participants and (ii) in case of physical securities to the Company / Share Registrar.





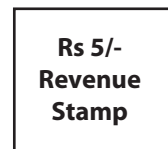
# Form of Proxy

I/We \_\_\_\_\_ of \_\_\_\_\_  
 \_\_\_\_\_ being member(s) of SECURITY PAPERS LIMITED and holder  
 of \_\_\_\_\_ Ordinary Shares as per Share Register Folio/CDC Account No. \_\_\_\_\_ hereby  
 appoint \_\_\_\_\_ Folio/CDC Account No. \_\_\_\_\_ of \_\_\_\_\_ CNIC  
 No. or Passport No. \_\_\_\_\_ or failing whom \_\_\_\_\_ Folio/CDC Account  
 No. \_\_\_\_\_ of \_\_\_\_\_ CNIC No. or Passport No. \_\_\_\_\_ who is also a  
 member of the Company as my/our proxy to attend and vote for me/us and on my/our behalf at the 50th ANNUAL  
 GENERAL MEETING of the Company to be held on Friday, 28 August 2015 at 11:00 AM and at any adjournment  
 thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2015.

Witnesses: 1. Signature \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 CNIC or Passport No. \_\_\_\_\_  
 2. Signature \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 CNIC or Passport No. \_\_\_\_\_

Signature \_\_\_\_\_  
 (Signature should agree with the specimen  
 signature registered with the Company).  
 CNIC or Passport No. \_\_\_\_\_



## IMPORTANT

1. This form of proxy, duly completed and signed, must be deposited at the Company's Registered Office not later than 48 hours before the meeting.
2. This form should be signed by the Member or by his/her attorney duly authorised in writing. If the Member is a Corporation, its common seal should be affixed to the instrument.
3. A Member entitled to attend and vote at the meeting may appoint any other Member as his/her proxy to attend and vote on his/her behalf except that a corporation may appoint a person who is not a Member.

### For CDC Account Holders/Corporate Entities:

In addition to the above, following requirements have to be met:

- (i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC or Passport Numbers shall be mentioned on the form.
- (ii) Attested copies of CNIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (iii) The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.
- (iv) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.



# *Security Papers* LIMITED

OHSAS 18001: 2007, ISO 9001:2008 & ISO 14001:2004 Certified

## **REGISTERED OFFICE & SHARES DEPARTMENT:**

Jinnah Avenue, Malir Halt, Karachi-75100.

Ph:(92)-021-99248285 Fax: (92)-021-99248286

**FACTORY:** Jinnah Avenue, Malir Halt, Karachi-75100

Ph:(92)-021-99248536-37 Fax:(92)-021-99248616