



Security Papers
LIMITED

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

ANNUAL REPORT 2016

ISO 9001:2008 & ISO 14001:2004 Certified

Contents

History of Major Events	02
Board of Directors	03
Corporate Award	04
Chairman's Review	05
Directors' Report	10
Criteria to Evaluate Board's Performance	19
Shareholders' Information	20
Vision Statement	24
Mission Statement	25
Core Values	26
Strategic Goals	27
Code of Ethics and Business Practices	28
Statement of Value Addition and its Distribution	29
Key Operating and Financial Data	30
Horizontal Analysis	32
Vertical Analysis	33
Statement of Compliance with the Code of Corporate Governance	34
Review Report to the Members	38
Auditors' Report to the Members	39
Balance Sheet	40
Profit and Loss Account	41
Statement of Comprehensive Income	42
Cash Flow Statement	43
Statement of Changes in Equity	44
Notes to the Financial Statements	45
Pattern of Shareholding	81
Company Information	84
Notice of Annual General Meeting	86
Jama Punji	90
Form of Proxy	



History of Major Events

Incorporation of the Company (as a private Company)	1965
Signing of contract for the supply of Paper Machine-1 (PM-1) with Mills-Paugh, U. K.	1966
Conversion into public Company	1967
Listing on the Pakistan Stock Exchange Limited	1967
Start of commercial production of PM-1	1969
Signing of contract for supply of Paper Machine-2 (PM-2) with Voith Paper, Germany (Obsolete PM-1 made redundant and scrapped)	2001
Start of Commercial Production of PM-2	2003
Formal inauguration of PM-2 by the Prime Minister	2004
Installation of Reverse Osmosis (RO) Plant	2006
Commissioning of Co-Generation Power Plant	2009
Modification and upgrading of plant	2011
Commissioning of new Mould Cover preparation building	2012
Commissioning of Dry Cleaning Plant	2014
Commissioning of Thread Unwind System	2015
Production of Passport Paper	2016

Board of Director



Sheikh Mohammad
Aijaz Akhtar
Chairman



Ms. Nargis Ghaloo



Muhammad Misbah Tunio
Chief Executive Officer



Jamal Nasim



Dr. Abolghassem Jamshid



Mrs. Ayla Akiny



Muhammad Ayub



Shamsuddin Soomro



Muhammad Wajid Jamil



Rauf Ahmad



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Corporate Award



31st Corporate Excellence Awards of MAP



Chairman's Review

I am pleased to report that in a challenging business environment the year ended 30 June 2016 was another year of good performance for Security Papers Limited. This had been achieved due to a well planned strategy and a stable management team enabling the Company to deliver consistent value for our shareholders. Your Company had recorded a profit after tax of Rs 630.87 Million in a highly competitive business environment due to domestic and external factors.

To pass on the benefit of this achievement to the shareholders, the Board has recommended a payment of 75% cash dividend for the year ended 30 June 2016.

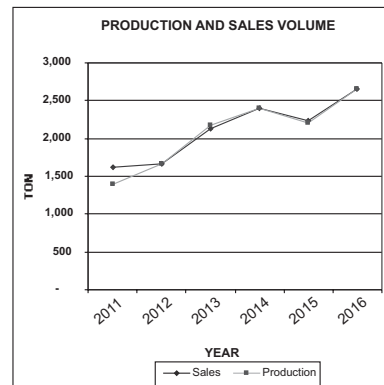
Business and Performance Review

The year under review has been a momentous year for the Company. The Company had performed very well on the financial as well as operational front. By the grace of Allah we were successful in providing highest quality Bank Note and Other Security Papers to our customers. The operational results recorded for the year under review demonstrate performance consolidation.

The financial outcome of business process re-engineering carried out over the past years had indeed established a platform for sustained profitability. The Company achieved impressive growth in its operations during the year, operational excellence and management skills had positioned the Company to achieve sustained and qualitative growth in the long run. During the year a quality approach was deployed with a basic theme of ownership and accountability. 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 Company carried out full scale production and operations and produced high quality Bank Note and other Security Papers. The aggregate production of Bank Note and other Security Papers increased to 2,657 tons as against 2,210 tons last year. The Company ensured continuous availability of high quality cotton comber and other goods and services and worked closely with the manufacturers of cotton comber. 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 aggregate sales volume of 2,658 tons as against 2,237 tons last year. Sales revenue had been achieved at Rs 2,584 Million as against Rs 2,141 Million achieved during the last year. During the year under review our core business of Bank Note paper had performed very well. We sold all denominations of Bank Note Paper as per customers demand. We also had good business from other Security Paper i.e. Non Judicial Paper, Prize Bond, Child Registration Certificate, Parchment and Degree paper for Board and Universities.

Plant Upgrade

The Company was 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 some of the projects were either completed or were in progress as follows:

Rag Digester and Hemp Breaker

The installation of Rag Digester and Hemp Breaker had been completed and commissioned. The project was aimed at enhancing the output by increasing the cooking capacity of the Pulp Mill to ensure smooth feeding of the pulp to the Paper Machine.



Chairman's Review

Installation of Beater Breaker

The existing Beater and Breaker Assemblies were installed and commissioned in 1967 along with Rag Digesters at Pulp Mill and had outlived their useful lives. In addition to the Rag Digester Beater and Breakers assemblies were also required to balance the capacity of the Pulp Mill. The design work for the building and equipment is in progress. It is expected that the project would be completed by June 2017.

Installation of Pulp Stock Chests

The installation of stainless steel pulp stock chests would replace the existing concrete chests which were in operation for almost half a century. The new pulp stock chests would ensure uncontaminated pulp stock to be used in the Paper Machine. The project was at early stage and would be completed by June 2017.

Pulp Mill Renovation

The project of renovation of the Pulp Mill seeks to improve the working conditions and ensure dust and contamination free environment. The project was likely to be completed in the first quarter of the next financial year.

Internal Audit

During the year internal audit carried out an independent appraisal activity within the Company engaged in continuous review of operations. The Company shifted its emphasis to provide greater assurance in areas of operational efficiency, sustainability, and financial prudence. 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 was operational efficiency, safeguard of Company's interests and establishment and observance of internal controls.

Information Systems

The Information Technology provided requisite leverage to the Company to boost its performance by focusing on effective and rapid communication and developing information policies and procedures for sustaining the current business status and for future business progress. Information systems were developed to attain business efficiency through Oracle Systems. The role of the information Technology was to provide information and communication services and support through Oracle based Systems to enable the Company to achieve its goals and objectives and ensure that all investment in hardware and software was in line with Company's long term plans.

Strategic Plan

During the year under review corporate strategic planning process was carried out to plan the future direction of the business. The strategic planning process ensured formulation of Company's strategy and established the financial and operating targets for the next financial year. During the year under review the Management deliberated upon strategic issues that would have the greatest impact on future business performance. The strategic planning process confirmed that the targeted results were achieved and established robust performance indicators which could 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 takes keen interest in business continuity and had the following measures in place to ensure business continuity in case of any disruptive events:

- Comprehensive and state of the art Security System.
- Comprehensive fire prevention system
- Backups of the Management Information System (MIS)
- Adequate insurance coverage
- Succession planning to ensure continued efficient and effective operations



Chairman's Review

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 achieve efficiencies and control operational costs. During the year under review business process re-engineering efforts had resulted in enhancing productivity and reduction in production losses.

Research & Development

The Company has a robust Quality Management System in place for ensuring long term product quality. To achieve this end, we have developed and implemented improved / modified recipes to meet customer's requirements. We feel that research and development activities were the backbone for attaining sustainability in growth. Efforts were 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 is 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:

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 Management System had been implemented for normal and emergency situations 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.



The Environment Management System (ISO 14001: 2004)

The recertification of ISO 14001:2004 confirmed that we have 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.





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.



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:

S. No.	Description	Amount in Rs
1.	Kiran Foundation	200,000
2.	Friends of Burns Centre - Poor People	250,000
3.	People of Thar	756,230
4.	Abdul Sattar Edhi Foundation	250,000
5.	Skin Care Centre - Sachet Packing Machine	350,000
6.	Sindh Institute of Urology & Transplantation (SIUT)	300,000
7.	Chhipa Welfare Association	250,000
8.	Akhawat - NGO	1,000,000
9.	UVC Air Sterilization Unit - Jinnah Hospital	280,800
10.	Intership Program	18,774
	Total	3,655,804

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 556.86 Million as compared to Rs 419.48 Million during the corresponding period. In addition the Company had also made foreign exchange savings of US\$ 24.68 Million (approx) through import substitution during the year as compared to US\$ 21.05 Million in the corresponding period.

Human Resource

Human resource policies were designed to ensure best practices to attract, recruit, develop and retain highest quality of human capital. The Company strives to create an environment in which employees can realize their full potential through professional development programs. During the year following key initiatives were taken by the Company for training, development and welfare of employees:

- Fostering Training, Coaching and Development Culture in the Organization: 1,282 Man Hours of Training were imparted
- Boosting Employee Morale via various welfare efforts e.g. Employee Welfare Fund for deserving employees



Chairman's Review

- Free Medical Screening of over 300 employees through in-house medical consultant. Free Eye Camps for all Employees and Health Awareness Sessions
- Plantation of over 1000 Fruit Bearing Trees in and around Company Premises
- Performance Management System: KPIs for all officers and Mid Year and Annual Performance Appraisal exercises
- Trainee Program: Induction of Fresh Graduates through Career Fairs, Merit Selection, Testing and Panel Interviews
- Medical Consulting Facility for Families of Employees in Company Colony

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 Pakistan Stock Exchange Limited (PSX) for the year 2000 to 2007 and again consecutively for the last five years from 2009 to 2013.

The award is conferred by PSX 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 product range and 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.

SHEIKH MUHAMMAD AIJAZ AKHTAR
Chairman

Karachi
Dated: 29th July 2016



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 2016.

Financial Results

The operating results of the Company for the year 30 June 2016 are summarized as follows:

	2016 (Rupees in '000)	2015
Profit before taxation	913,418	703,301
Taxation		
Current - for the year	302,298	213,927
Current - for prior year	(4,186)	4,508
	298,112	218,435
Deferred	(15,565)	(21,048)
	282,547	197,387
Profit after taxation	630,871	505,914

Subsequent Appropriations

The Directors have recommended cash dividend of Rs 7.50 per share, i.e., 75% (2015: Rs 6.00 per share, i.e., 60%), and appropriation of Rs 186.43 Million (2015: Rs150.37 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

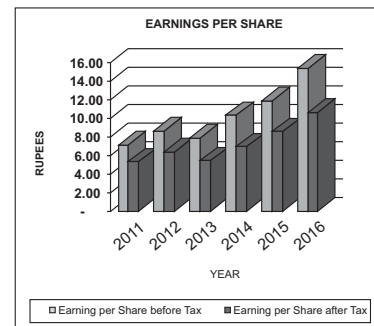
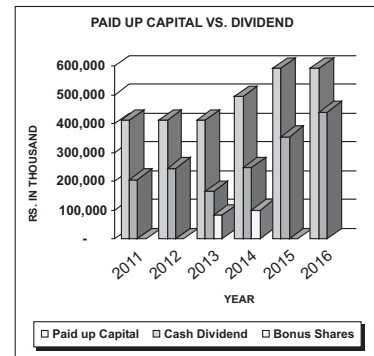
The earnings per share (EPS) - before and after taxation is Rs 15.41 and Rs 10.65 (2015: Rs 11.87 and Rs 8.54) respectively.

Operating Results

During the year under review, the net sales revenue was higher by Rs 442.62 Million as compared to the previous year mainly due to higher sales volume of banknote and other security paper products.

The Company earned gross profit of Rs 876.62 Million during the year under review as compared to Rs 675.72 Million in the previous year. The increase in gross profit during the current year as compared to the corresponding year was mainly attributable to higher sales volume, operational efficiencies and better absorption of production overheads due to higher sales volume.

Other operating income increased by Rs 18.51 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 630.87 Million had been earned for the year as compared to Rs 505.91 Million during the previous year. The increase in Company's profitability during the year under review was mainly due to increase in sales volume, operational efficiencies and better returns from investments of surplus funds.

Market and book value per share

The book value per share stood at Rs 71.71 as against Rs 67.84 in the previous year. Before and after tax return on equity worked out to be 21.49% and 14.85% as compared to 17.49% and 12.58% in the corresponding period respectively.

The average market price during the year remained at Rs 90.50 (2015: Rs 75.50) per share. The market price as of 30 June 2016 was Rs 105.59 (2015: Rs 88.56).

Cash Flow Management

During the year under review an amount of Rs 394.21 Million was generated from the operating activities of the Company and Rs 274.15 Million received on account of mark up, dividend and capital gain on investments. The Company made an investment of Rs 124.74 Million in Islamic Mutual Funds. The Company had paid an amount of Rs 120.99 Million on account of repayment of long term loan and Rs 322.85 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 June 30, 2016 worked out to 0.004:1 and 3.78:1 (2015: 0.01:1 and 2.32:1) respectively. The improvement in debt-equity ratio was due to repayments made against long term loan and the current ratio improved mainly due to increase in current assets and repayment of current portion of long term loan.

Material changes and commitments

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

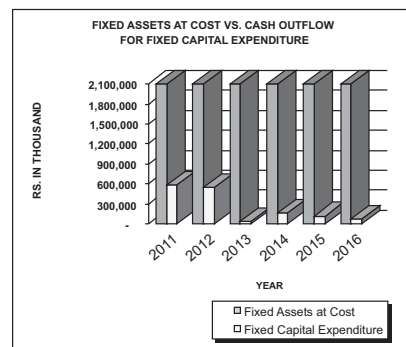
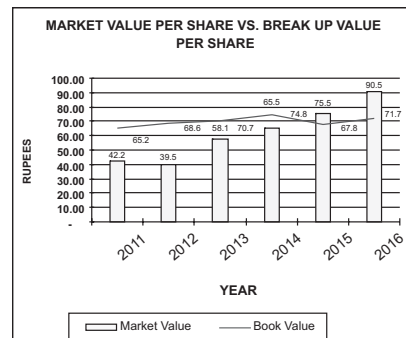
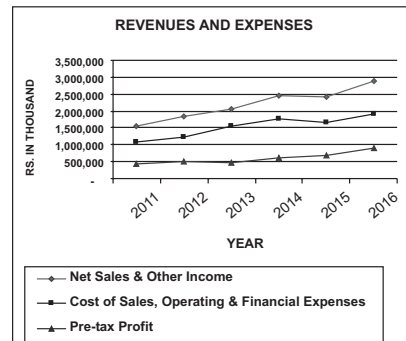
Financial Statements

The auditors of the Company, M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, audited the financial statements of the Company and have 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 have 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 2016-17.





Directors' Report

Board and Committee Changes

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

Sheikh Mohammad Aijaz Akhtar was appointed as Chairman of the Board of Directors in place of Mr. Kazi Abdul Mukhtar.

Ms. Nargis Ghaloo, Non-Executive Director joined the Board as nominee of State Life Insurance Corporation of Pakistan in place of Mr. Ajaz Ali Khan.

Mr Muhammad Wajid Jamil, Non-Executive Director joined the Board as nominee of Pakistan Security Printing Corporation (Pvt.) Limited in place of Mr. Kazi Abdul Mukhtar.

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 34).

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 30).
- h. Outstanding taxes and levies had been adequately disclosed in the annexed audited financial statements.
- i. The following was the value of investments based on respective latest audited accounts: (i) Provident Fund Rs 281.40 Million (ii) Gratuity Fund Rs 254.40 Million.
- j. The detail of number of Board and Committee meetings held during the year and attendance by each Director is as follows:



Directors' Report

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
Sheikh Mohammad Aijaz Akhtar	6	6	6	6				
Ms. Nargis Ghaloo	4	4			4	4		
Mr. Muhammad Misbah Tunio (Chief Executive Officer)	6	6			7	7	9	9
Dr. Abolghassem Jamshidi	6	6	6	5				
Mrs. Ayla Akin - (Turkey)	6	0						
Mr. Jamal Nasim	6	6			7	7	9	9
Mr. Muhammad Ayub	6	6	6	6			9	9
Mr. Shamsuddin Soomro	6	6	5	5				
Mr. Muhammad Wajid Jamil	5	5						
Ch. Mehboob Ilahi	6	6	5	5				
Outgoing Directors								
Mr. Kazi Abdul Muktadir	1	1	1	1				
Mr. Ajaz Ali Khan	2	0			2	0		

- k. Six directors of the Company had already completed Directors' Training Program (DTP). In addition two directors met the criteria of exemption under Code of Corporate Governance. Further, DTP for the other two directors was in process of completion during the period under review.
- l. The pattern of shareholding was annexed (page 81).
- 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

During the year under review Pakistan's economy continued to pick up as economic reform progressed and security improved. The economy during FY 2016 recorded a growth of 4.71 percent which was the highest growth achieved since 2008-09. The government in last three years had done very well in turning around the economy. The successful reviews of the state of economy by International Monetary Fund (IMF) had proved that Pakistan's economy was on the right path. Inflation declined and the current account deficit narrowed with favorable prices of fuel. The foreign exchange reserves had reached all time high above US\$ 21 billion in May 2016.

Going forward, CPEC was expected to generate economic activity and provide an opportunity to access world markets more easily. The investments in power generation under CPEC would surely bring an end to load shedding that the domestic industry had been facing over the last decade. However, weakening of export base and lack of investment in domestic manufacturing were visible future threats which would continue to plague the economy in the absence of concrete steps. High levels of trade deficits are unsustainable for any developing economy like Pakistan.

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: 29th July 2016



ڈائریکٹرز کی رپورٹ

کمپنی کے ڈائریکٹرز 30 جون 2016ء کو مکمل ہونے والے سال کیلئے آڈٹ شدہ مالی گوشواروں کے ہمراہ کمپنی کی سالانہ رپورٹ بخوشی پیش کرتے ہیں۔

مالیاتی نتائج

30 جون 2016ء کو مکمل ہونے والے سال کیلئے کمپنی کے آپریٹنگ رزلٹس مختصراً حسب ذیل ہیں:

2015ء	2016ء	محصول سے قبل منافع
703.301/= روپے	913.418/= روپے	محصول
(روپے '000)		موجودہ سال کیلئے
213.927	302.298	گزشتہ سال:
(4.508)	(4.186)	
218.435	298.112	موخر محصول
(21.480)	(15.565)	
197.387	282.547	ٹیکسیشن کے بعد منافع
505.914	630.871	

دیگر تجاویز/منظوریاں

ڈائریکٹرز نے 7.50 روپے فی حصص۔ یعنی 75 فیصد (2015: 6.00 روپے فی شیئر یعنی 60 فیصد) نقد منافع منقسمہ اور یونیوزیز رپوز میں سے 186.43 ملین روپے (2015: نقد منافع منقسمہ اور یونیوزیز رپوز میں سے 150.37 ملین روپے) تصرف کی سفارش کی ہے۔ یہ تصرفات کمپنیز آرڈیننس مجریہ 1984ء کے نظر ثانی شدہ چوتھے شیڈول کی تیل میں مالی گوشواروں میں ظاہر ہوں گے۔

آمدنی فی حصص

فی حصص آمدنی (ای پی ایس) محصول سے قبل اور بالترتیب 15.41 روپے اور 10.65 روپے ہے (2015-11.87 روپے اور 8.54 روپے)

آپریٹنگ رزلٹس

زیر جائزہ سال کے دوران بینک نوٹ اور دیگر سکیورٹی پیپر پروڈکٹس کی گزشتہ سال کے مقابلہ میں زائد قیمت فروخت کے باعث آمدنی 442.62 ملین روپے تک زائد رہی۔ کمپنی کو زیر جائزہ سال کے دوران گزشتہ سال کی 675.72 ملین روپے کے مقابلہ میں 876.62 ملین روپے کا مجموعی منافع حاصل ہوا۔ اس سال کے دوران گزشتہ سال کے مقابلہ میں مجموعی منافع میں اضافہ اصل میں اعلیٰ قیمت فروخت کا کردگی اور زائد قیمت فروخت کے باعث پیداوار کی بہتر کھپت کے باعث ہوا۔



Security Papers
LIMITED

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گزشتہ سال کے مقابلہ میں اس سال کے دوران آپریٹنگ انکم میں 18.51 ملین روپے تک کا اضافہ سرپلس فنڈز کی سرمایہ کاری پر بہتر آمدنی کے باعث ہوا۔ گزشتہ سال کے 505.91 ملین روپے کے مقابلے میں بعد از ٹیکسیشن اس سال 630.87 ملین روپے آمدنی ہوئی۔ اس سال کمپنی کو منافع میں اضافہ اصل میں قیمت فروخت میں اضافہ، آپریٹنگ کارکردگی میں فروغ اور سرپلس فنڈز کی سرمایہ کاری سے بہتر منافع کے باعث ہوا۔

فی حصص بازاری اور کتابی قدر

فی شیئر بک ویلیو گزشتہ سال کے 67.84 روپے کے مقابلہ میں 71.71 روپے رہی۔ ٹیکس سے قبل اور بعد میں آمدنی ایکویٹی پر حساب کردہ گزشتہ سال کے 17.49 فیصد اور 12.58 فیصد کے مقابلہ میں 21.49 فیصد اور 14.85 فیصد ہوگی۔ سال ہذا کے دوران اوسط مارکیٹ پرائس 90.50 روپے فی حصص (2015-75.50 روپے) رہی۔ 30 جون 2016ء پر مارکیٹ پرائس 105.59 روپے (2015-88.56 روپے) تھی۔

کیش فلو مینجمنٹ

زیر جائزہ سال کے دوران کمپنی کی آپریٹنگ سرگرمیوں سے 394.21 ملین روپے جاری کئے گئے اور مارک اپ، منافع منقسمہ اور سرمایہ کاری پر کپٹل گیٹن سے 274.15 ملین روپے حاصل ہوئے۔ کمپنی نے اسلاٹ میوچل فنڈز میں 124.74 ملین روپے کی سرمایہ کاری کی۔ کمپنی نے طویل المدتی قرضوں کی ادائیگی کی مد میں 120.99 ملین روپے کی ادائیگی کی اور حصص یافتگان کو منافع منقسمہ کے طور پر 322.85 ملین روپے کی ادائیگی ہوئی۔

لانگ ٹرم ڈیبٹ ایکویٹی اور حالیہ تناسب

کمپنی کے لانگ ٹرم ڈیبٹ ایکویٹی اور کرنٹ تناسب 30 جون 2016ء کو بالترتیب 1:0.004 اور 1:3.78 (2015: 1:0.01 اور 1:2.32) پایا گیا۔ ڈیبٹ ایکویٹی کے تناسب میں بہتری لانگ ٹرم قرضوں کی مد میں وصولیوں کے باعث آئی اور کرنٹ تناسب، حالیہ اسٹاکس میں اضافہ اور لانگ ٹرم لون کے حالیہ حصہ کی ادائیگی کے سبب بڑھا۔

نمایاں تبدیلیاں اور معاہدے

کمپنی کے مالی سال کے مکمل ہونے کے دوران کوئی نمایاں تبدیلیاں اور معاہدے کمپنی کی مالی پوزیشن پر اثر انداز نہیں ہوئے جس کا اظہار بیلنس شیٹس اور رپورٹ کی تاریخ سے ہوتا ہے۔

مالی گوشوارہ

کمپنی کے آڈیٹر میسرز ارنسٹ اینڈ یوگ فورڈ روڈ ایس سیدات حیدر۔ چارٹرڈ اکاؤنٹنٹس نے کمپنی کے مالی گوشواروں کا آڈٹ کیا اور ممبران کو ایک ان کوالیفائیڈ رپورٹ جاری کی ہے۔



آڈیٹرز

آڈیٹرز میسرز انسٹ اینڈ بیگ فورڈ ووڈ لیس سیدات حیدر چارٹرڈ اکاؤنٹنٹس سالانہ اجلاس عام کے اختتام پر ریٹائرڈ ہو گئے ہیں اور اہلیت کی بنیاد پر دوبارہ تقرری کیلئے اپنی خدمات پیش کی ہیں۔
آڈٹ کمیٹی کی تجاویز پر بورڈ نے 17-2016ء کیلئے میسرز انسٹ اینڈ بیگ فورڈ ووڈ لیس سیدات حیدر- چارٹرڈ اکاؤنٹنٹس کو کمپنی کا آڈیٹر مقرر کرنے کی سفارش کی ہے۔

بورڈ اور کمپنی میں تبدیلیاں

گزشتہ سال کی سالانہ رپورٹ کے بعد مندرجہ ذیل تبدیلیاں واقع ہوئی ہیں:
شیخ محمد اعجاز اختر جناب قاضی عبدالمتقندر کی جگہ بورڈ آف ڈائریکٹرز کے چیئرمین مقرر ہوئے۔
محترمہ زگس گلہو- نان- ایگزیکٹو ڈائریکٹر نے اسٹیٹ لائف انشورنس کارپوریشن آف پاکستان کی نامزدگی پر جناب اعجاز علی خان کی جگہ بورڈ میں شمولیت اختیار کی۔
جناب واجد جمیل نان ایگزیکٹو ڈائریکٹر نے پاکستان سیکورٹی پرنٹنگ کارپوریشن (پرائیویٹ) لمیٹڈ کی جانب سے نامزدگی پر جناب قاضی عبدالمتقندر کی جگہ جوائن کیا ہے۔
کمپنی کے بورڈ آف ڈائریکٹرز میں متذکرہ تبدیلیوں کے نتیجے میں مختلف بورڈ کمیٹیوں میں ضروری تبدیلیاں کی گئیں۔

کوڈ آف کارپوریٹ گورننس کی تعمیل

- کوڈ آف کارپوریٹ گورننس (سی سی جی) پر قبیل کا گوشوارہ (صفحہ 34) پر منسلک ہے۔
"کارپوریشن اینڈ فنانشل رپورٹنگ فریم ورک" کا گوشوارہ
(ا) کمپنی کی انتظامیہ کے تیار کردہ مالی گوشواروں میں اس کے واضح امور، عملدرآمد کے نتائج، کیش فلوا اور ایکویٹی میں تبدیلیاں پیش کی گئی ہیں۔
(ب) کمپنی کی اکاؤنٹس بکس باقاعدگی سے تیار کی گئی ہیں۔
(پ) مالی گوشواروں اور اکاؤنٹنگ تخمینوں کی تیاری میں متعلقہ موزوں اکاؤنٹنگ پالیسیاں بروئے کار لائی گئی ہیں اور یہ مناسب فیصلوں پر مبنی ہیں۔
(ت) انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز (آئی ایف آر ایس) پاکستان میں نافذ العمل ہیں اور مالی گوشواروں کی تیاری اور کسی بھی روانگی میں باقاعدہ سے اس پر عمل کیا جاتا ہے۔
(ٹ) انٹرنیشنل کنٹرول کا سسٹم مروج ہے اور موثر طور پر بروئے کار لایا گیا ہے اور کنٹرول میں ہے۔
(ث) جاری ادارہ کی حیثیت سے کمپنی کی اہلیت میں کوئی نمایاں شک نہیں۔
(ج) گزشتہ چھ سال کا آپریٹنگ اور فنانشل ڈیٹا مختصراً (صفحہ 30 پر) منسلک ہے۔
(چ) منسلک مالی گوشواروں میں واجب الادا محصولات اور لیویز کی باقاعدہ نشاندہی کی گئی ہے۔
(ح) متعلقہ حالیہ آڈٹ شدہ اکاؤنٹس پر مشتمل سرمایہ کاری کی مالیت حسب ذیل ہے۔
(i) پراویڈنٹ فنڈ 281.40 ملین روپے (ii) گریجویٹ فنڈ 254.40 ملین روپے۔



(خ) گزشتہ سال کے دوران بورڈ اور کمپنی کے منعقدہ اجلاس کی تعداد، تفصیل اور ہر ڈائریکٹر کی حاضری حسب ذیل ہے:

انویسٹمنٹ		کمپنیز		آڈٹ		بورڈ		ڈائریکٹرز کے نام
		افراد کی قوت اور مشاہرہ						
شرکت	شرکت کی اہلیت	شرکت	شرکت کی اہلیت	شرکت	شرکت کی اہلیت	شرکت	شرکت کی اہلیت	
				6	6	6	6	شیخ محمد اعجاز اختر
			4	4		4	4	محترمہ نرگس گل
9	9	7	7			6	6	جناب محمد مصباح تونسو (چیف ایگزیکٹو آفیسر)
				5	6	6	6	ڈاکٹر ابوالقاسم جمشیدی
						0	6	مسز عالیہ آکن (ترکی)
9	9	7	7			6	6	جناب جمال نسیم
9	9			6	6	6	6	جناب محمد ایوب
				5	5	6	6	جناب شمس الدین سومرو
						5	5	جناب محمد واجد جمیل
				5	5	6	6	چوہدری محبوب الہی
								آڈٹ گونگ ڈائریکٹرز
				1	1	1	1	جناب قاضی عبدالمتندر
	0		2			0	2	جناب اعجاز علی خان

- (د) کمپنی کے چھ ڈائریکٹرز نے ٹریننگ پروگرام (ڈی ٹی پی) پہلے ہی مکمل کر لیا ہے۔ مزید برآں دو ڈائریکٹرز نے کوڈ آف کارپوریٹ گورننس کے تحت استثنائی کا درجہ حاصل کر لیا ہے۔ دیگر دو ڈائریکٹرز کیلئے ڈی ٹی پی ایس سال تکمیل کے قریب ہے۔
- (ڈ) شیئر ہولڈنگ کا طریقہ کار (صفحہ 81) پرنسپل ہے۔
- (ذ) کمپنی کے حصص میں ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکریٹری، انٹرنل آڈٹ کے سربراہ دیگر ایگزیکٹوز اور ان کے اہل خانہ اور بچوں نے کاروبار نہیں کیا۔



Security Papers
LIMITED

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

معیشت

زیر جائزہ سال کے دوران پاکستان کی معیشت نے اقتصادی اصلاحات اور تحفظ کے فروغ کے باعث ترقی کی ہے۔ مالی سال 2016ء کے دوران معیشت میں 4.71 فیصد ترقی ہوئی جو 2008-09ء سے اب تک سب سے زیادہ ترقی ہے۔ گزشتہ سال کے دوران حکومت نے معیشت کیلئے بہت کچھ بہتر کیا ہے۔ انٹرنیشنل مونیٹری فنڈ (آئی ایم ایف) کے کامیاب جائزہ سے ثابت ہوتا ہے کہ پاکستان کی معیشت صحیح راستہ پر تھی۔ افراط زر اور حالیہ خسارہ میں ایندھن کے قابل قبول نرخ کے سبب کمی آئی۔ زرمبادلہ کے ذخائر مئی 2016ء میں اپنے وقت کے سب سے زیادہ درجہ یعنی 21 بلین امریکی ڈالر تک پہنچ گئے تھے۔

آگے بڑھتے ہوئے سی پی ای سی سے اقتصادی سرگرمیوں کو بڑھانے اور عالمی منڈی میں مزید آسانی سے بڑھنے کا موقع فراہم کرنے کی توقع تھی۔ سی پی ای سی کے تحت بجلی کی پیداوار میں سرمایہ کاریاں یقینی طور پر لوڈ شیڈنگ کا خاتمہ کر دیں گی جو گزشتہ عشرہ میں ملکی صنعت کو درپیش ہے۔ تاہم برآمدی بنیاد کی کمزوری اور ملکی مینوفیکچرنگ میں سرمایہ کاری کی کمی سے مستقبل کے خدشات واضح تھے جو ٹھوس اقدامات کی عدم موجودگی کے باعث معیشت کو نقصان پہنچا سکتے تھے۔ تجارتی خسارہ کی اعلیٰ سطح پاکستان جیسے ترقی پذیر ملک کیلئے غیر یقینی ہے۔

چیئرمین کا جائزہ

بورڈ آف ڈائریکٹرز نے چیئرمین کی جائزہ رپورٹ کے مندرجہ جات کی تصدیق کی ہے (صفحہ 05)۔

کراچی

مورخہ 29 جولائی 2016ء

بحکم بورڈ آف ڈائریکٹرز

محمد مصباح تانیو
چیف ایگزیکٹو آفیسر



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 in place for an annual evaluation of the Boards' 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 August 26, 2016 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
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
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

Rizwan Ul Haq Khan
Chief Financial Officer & Company Secretary
Telephone: (+9221) 99248285 & 99248539
Fax: (+9221) 99248286
E-mail: 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 Pakistan Stock Exchange Limited. The symbol code for dealing in shares of the Company is SEPL.

Pakistan Stock Exchange Share Prices 2015-16			
Period	Price in Rupees		
	High	Low	Average
1st Quarter - September 30, 2015	103.00	74.50	88.75
2nd Quarter - December 31, 2015	97.00	74.51	85.75
3rd Quarter - March 31, 2016	95.95	81.30	88.15
4th Quarter - June 30, 2016	106.50	88.50	97.50



Shareholders' Information

Reporting

Period	Financial Results
1st Quarter - September 30, 2015	October 27, 2015
2nd Quarter - December 31, 2015	January 29, 2016
3rd Quarter - March 31, 2016	April 21, 2016
4th Quarter - June 30, 2016	July 29, 2016

Financial Results

The Board of Directors of the Company in their meeting held on 29 July 2016 has recommended the following:

Cash Dividend

Final cash dividend at the rate of Rs 7.50 per share i.e. 75% for the year ended 30 June 2016.

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. 275(I)/2016 dated 31st March 2016 read with Notification S.R.O. 19(I)/2014 dated 10th January 2014 and 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 2016 effective July 1, 2016, 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 20%

To enable the company to make tax deduction on the amount of cash dividend @ 12.5% instead of 20%, 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 @ 20% 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) As per FBR Circulars C. No. 1 (29) WHT/2006 dated 30.06.2010 and C. No. 1 (43) DG (WHT)/2008-Vol.II-66417-R dated 12th May 2015, the valid exemption certificate is mandatory to claim exemption of withholding tax U/S 150 of the Income Tax Ordinance, 2001 (tax on dividend amount) where the statutory exemption under clause 47B of part-IV of Second Schedule is available. The shareholders who fall in the category mentioned in above clause and want to avail exemption U/S 150 of the Ordinance, must provide valid Tax Exemption Certificate to our Share Registrar before book closure otherwise tax will be deducted on dividend as per applicable rates.
- (iv) For any query/problem/information, the investors may contact the Company Secretary at phone: 021-99248285 and email address comsec@security-papres.com and/or FAMCO Associates (Pvt.) Ltd. at phone 021-34380101-5 and email address: info.shares@famco.com.pk.
- (v) 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.

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-papres.com>.

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

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>.

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

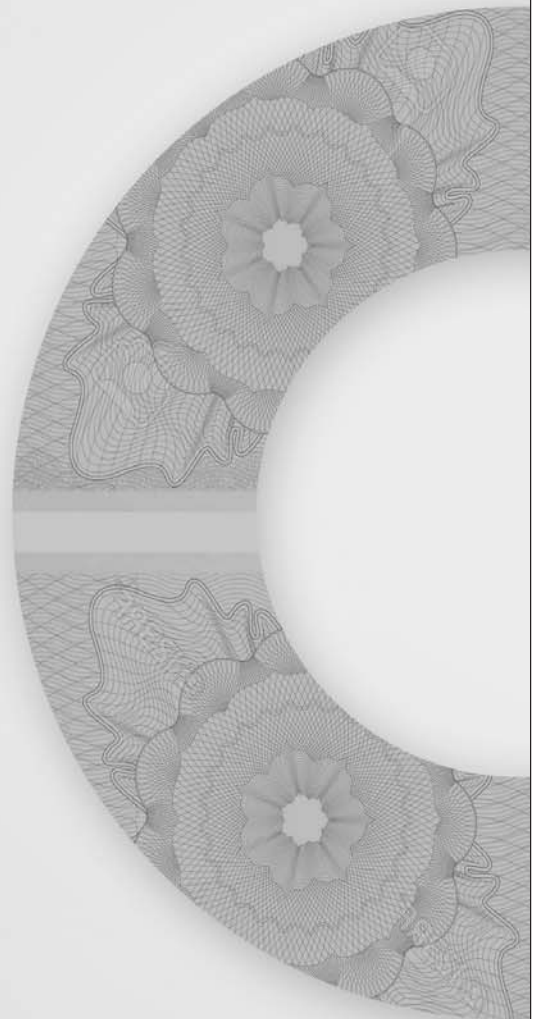
- Shareholders are encouraged to communicate with the Company by any means of communication - Telephone, Fax and/or Email etc.
- They have a right to attend and speak at general meetings of the Company
- All written representations of shareholders are responded on priority
- Shareholders' satisfaction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

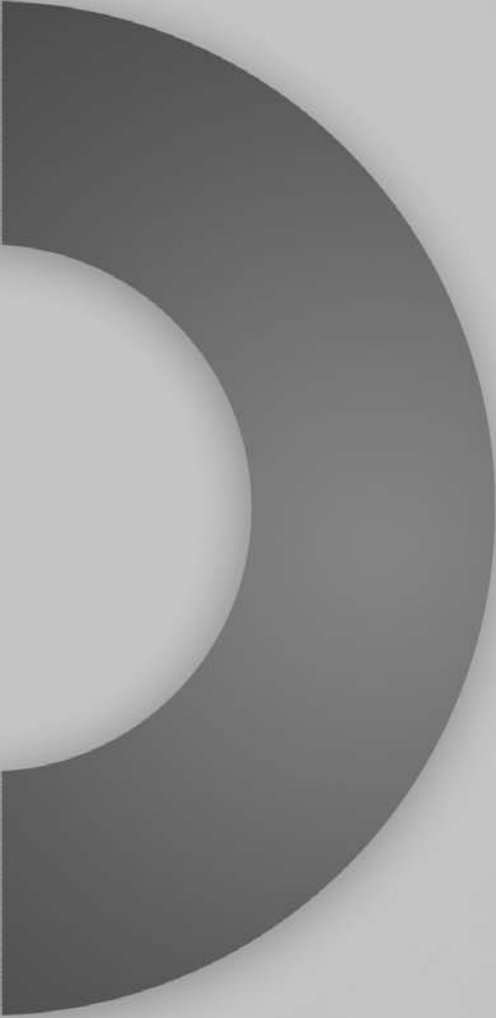
Vision Statement

"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.

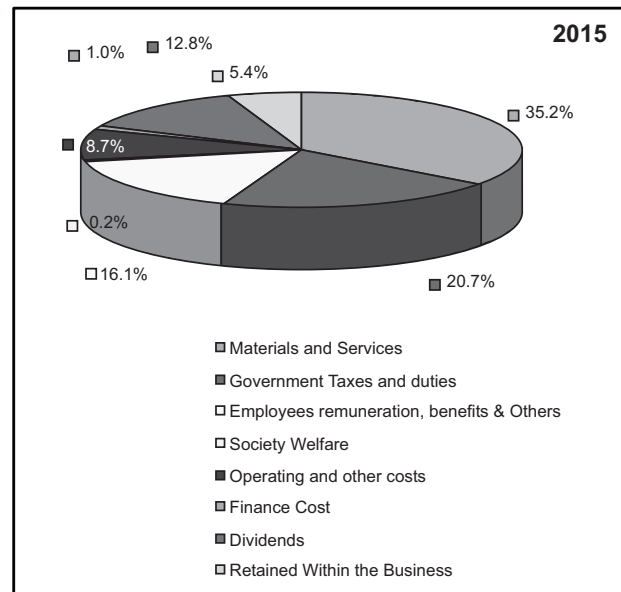
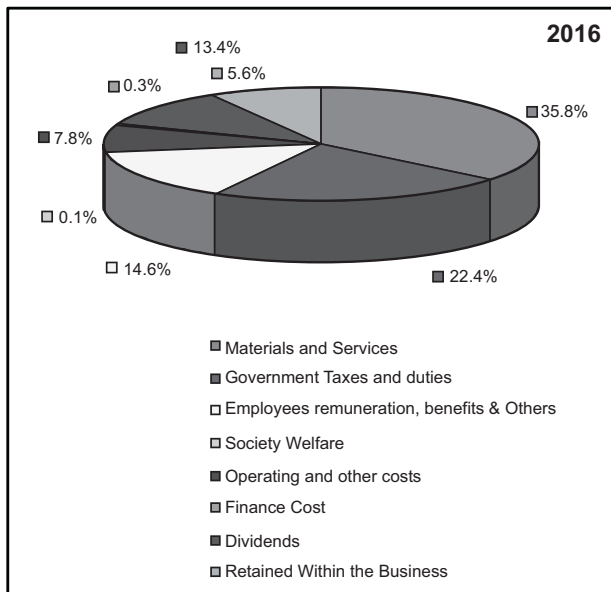


Statement of Value Addition and its Distribution

	2016	%	2015	%
..... (Rupees in '000)				
VALUE ADDITION				
Net Sales including Taxes	3,022,898	91.0%	2,505,160	89.9%
Other Operating Income	300,600	9.0%	282,092	10.1%
	3,323,498	100%	2,787,252	100%

VALUE DISTRIBUTION

Materials and Services	1,189,110	35.8%	979,985	35.2%
Government Taxes and duties	743,531	22.4%	578,074	20.7%
Employees remuneration, benefits & Others	486,593	14.6%	449,947	16.1%
Society Welfare	3,656	0.11%	4,846	0.2%
Operating and other costs	258,965	7.8%	241,723	8.7%
Finance Cost	10,772	0.3%	26,764	1.0%
Dividends	444,420	13.4%	355,535	12.8%
Retained Within the Business	186,451	5.6%	150,378	5.4%
	3,323,498	100%	2,787,252	100%





Key Operating and Financial Data

PARTICULARS	2016	2015	2014	2013 Restated	2012 Restated	2011
Financial Position						
Fixed Assets - Net	1,710,120	1,847,615	1,929,736	1,958,464	2,111,951	1,713,993
Investments	774,229	1,461,099	1,451,031	582,209	577,710	-
Other Assets	15,514	15,048	14,561	14,359	24,188	17,436
	2,499,863	3,323,762	3,395,328	2,555,032	2,713,849	1,731,429
Current Assets	2,772,750	1,826,999	1,505,967	2,253,237	2,040,164	2,564,953
Current Liabilities	732,894	788,072	746,833	640,477	540,372	520,822
Working Capital	2,039,856	1,038,927	759,134	1,612,760	1,499,792	2,044,131
	4,539,719	4,362,689	4,154,462	4,167,792	4,213,641	3,775,560
Less : Long Term Loan	15,202	51,927	172,863	331,543	482,112	327,214
Less: Deferred Liabilities	275,028	290,593	311,641	344,548	346,114	228,335
Net Assets	4,249,489	4,020,169	3,669,958	3,491,701	3,385,415	3,220,011
Paid-up-Capital	592,559	592,559	493,799	411,499	411,499	411,499
Reserves	3,656,930	3,427,610	3,176,159	3,080,202	2,973,916	2,808,512
Shareholders' Equity	4,249,489	4,020,169	3,669,958	3,491,701	3,385,415	3,220,011
Trading Results						
Sales - Net of taxes	2,583,566	2,140,952	2,236,019	1,856,926	1,570,912	1,303,019
Gross Profit	876,620	675,717	660,811	546,156	513,856	344,000
Profit after Admn. & General Expenses	696,334	505,300	495,992	383,841	370,675	215,188
Other Income	300,600	282,092	213,579	200,437	252,575	257,621
Finance & Other Cost	83,516	84,091	98,901	116,199	113,028	51,281
Profit before Tax	913,418	703,301	610,671	468,080	510,222	421,528
Taxation	282,547	197,388	198,814	147,848	132,121	106,452
Profit after Tax	630,871	505,913	411,857	320,232	378,101	315,076
Investors Information						
Dividend *						
Cash - Value	444,420	355,535	246,900	164,600	246,900	205,750
Cash - %	75.00%	60.00%	50.00%	40.00%	60.00%	50.00%
Bonus - Value	-	-	98,760	82,300	-	-
Bonus - %	0.00%	0.00%	20.00%	20.00%	-	-
Profit retained in Business - Value	186,451	150,378	66,197	73,332	131,201	109,326
Retention - %	29.55%	29.72%	16.07%	22.90%	34.70%	34.70%
Profitability Ratios						
Gross Profit to Sales %	33.93%	31.56%	29.55%	29.41%	32.71%	26.40%
EBITDA (Rs '000)	1,137,121	933,969	850,145	723,535	705,114	549,987
EBITDA Margin to Sales %	44.01%	43.62%	38.02%	38.96%	44.89%	42.21%
Profit before Tax to Sales %	35.35%	32.85%	27.31%	25.21%	32.48%	32.35%
Profit after Tax to Sales %	24.42%	23.63%	18.42%	17.25%	24.07%	24.18%
Return on Equity - before tax %	21.49%	17.49%	16.64%	13.41%	15.07%	13.09%
Return on Equity - after tax %	14.85%	12.58%	11.22%	9.17%	11.17%	9.78%
Return on Capital Employed %	14.79%	12.42%	10.72%	8.38%	9.78%	8.88%
Activity / Turnover Ratios						
Return on Assets - before tax %	17.32%	13.65%	12.46%	9.73%	10.73%	9.81%
Return on Assets - after tax %	11.97%	9.82%	8.40%	6.66%	7.95%	7.33%
Total Assets Turnover %	49.00%	41.57%	45.62%	38.62%	33.04%	30.33%
Stock Turnover - (In Times)	4.15	4.36	4.23	3.23	2.78	2.68
Stock Turnover - No. of Days	88	84	86	113	131	136
Debtor turnover Ratio - No. of Days	36	40	41	52	68	63
Creditor turnover Ratio - No. of Days	35	66	51	42	38	35
Operating Cycle	89	58	76	123	161	165



Key Operating and Financial Data

PARTICULARS	2016	2015	2014	2013 Restated	2012 Restated	2011
Liquidity Ratios						
Current Ratio	3.78:1	2.32:1	2.02:1	3.52:1	3.78:1	4.92:1
Quick Ratio	3.12:1	1.89:1	1.57:1	2.88:1	3.03:1	4.24:1
Cash to Current Liabilities	0.20:1	0.15:1	0.11:1	0.06:1	0.03:1	0.07:1
Cash flow from operations to Sales	0.15:1	0.20:1	0.23:1	0.26:1	0.17:1	0.18:1
Capital Structure Ratios						
Long Term Debt to Equity	0.00:1	0.01:1	0.05:1	0.09:1	0.14:1	0.10:1
Long Term Debt to Asset	0.00:1	0.01:1	0.04:1	0.07:1	0.10:1	0.08:1
Debt Equity Ratio	0.00:1	0.01:1	0.05:1	0.09:1	0.14:1	0.14:1
Interest cover ratio	101:1	35:1	20:1	12:1	16:1	86:1
Weighted Average Cost of Debt	6.57%	9.67%	9.69%	10.43%	13.28%	15.73%
Investment / Market Ratios						
No. of Shares in issue - No.	59,256	59,256	49,380	41,150	41,150	41,150
Bonus Shares Issued - No.	-	-	9,876	8,230	-	-
Cash Dividend per share (Rs)	7.50	6.00	5.00	4.00	6.00	5.00
Earning per share - before tax (Rs) **	15.41	11.87	10.31	7.90	8.61	7.11
Earning per share - after tax (Rs) **	10.65	8.54	6.95	5.40	6.38	5.32
Break-up value per share (Rs) :						
- Without Surplus on Revaluation on Fixed Assets	71.71	67.84	61.93	58.93	57.13	54.34
- With Surplus on Revaluation on Fixed Assets						
Price Earning Ratio - Year end Price (Rs)	9.92	10.37	8.39	8.61	4.79	5.29
Earning Yield - Year end Price %	10.08%	9.64%	9.93%	8.07%	14.50%	13.13%
Dividend Payout %	70.45%	70.28%	83.93%	77.10%	65.30%	65.30%
Dividend Yield - Year end Price %	7.10%	6.78%	10.00%	8.96%	13.64%	12.35%
Dividend Cover - Times	1.42	1.42	1.19	1.30	1.53	1.53
SHARE PERFORMANCE						
Share Price - Highest (Rs)	106.50	90.00	82.00	73.00	47.85	50.40
Share Price - Lowest (Rs)	74.50	61.00	48.92	43.10	31.20	34.00
Share Price - Average (Rs)	90.50	75.50	65.46	58.05	39.52	42.20
Share Price - At year end (Rs)	105.59	88.56	70.00	66.99	44.00	40.50
Market Capitalization - Year end Price - (Rs '000)	6,256,826	5,247,699	3,456,592	2,756,632	1,810,596	1,666,571
Turnover of shares	2,042,000	4,594,500	4,603,000	3,293,458	2,239,201	2,215,905
PRODUCTION (Ton)						
Actual Production						
Banknote Paper	2,184	1,760	1,714	1,513	1,243	1,199
Non-Banknote Paper	473	450	691	668	418	203
Total	2,657	2,210	2,405	2,181	1,661	1,402
SALES (Ton)						
Banknote Paper	2,176	1,750	1,686	1,516	1,241	1,433
Non-Banknote Paper	482	486	713	610	419	189
Total	2,658	2,236	2,399	2,126	1,660	1,622
CASH FLOWS						
Cash Flows from Operating activities	394,212	436,027	519,619	476,555	263,604	234,684
Net cash used in investing activities	87,497	(78,719)	(93,086)	(81,122)	(319,519)	(441,575)
Net cash used in financing activities	(448,887)	(325,978)	(380,565)	(374,685)	34,821	194,726
Cash and cash equivalents at beginning of the year	114,543	83,213	37,245	16,497	37,592	49,757
Cash and cash equivalents at end of the year	147,365	114,543	83,213	37,245	16,498	37,592

* Proposed cash dividend of Rs 444.420 million (i.e. Rs 7.50 per share) is reflected in the above data as referred to in note 38 of the financial statements.



Horizontal Analysis

BALANCE SHEET

ASSETS

Non-current assets

Property, plant and equipment	(7.44%)	(4.26%)	(1.47%)	(7.27%)	23.22%	37.74%
Long-term deposits	3.10%	3.34%	1.41%	(40.64%)	38.72%	1.03%
Long Term Investments	(47.01%)	0.69%	149.23%	0.78%	100%	0.00%

Current assets

Stores, spares and loose tools	(0.76%)	(5.93%)	3.22%	(1.72%)	32.17%	(9.82%)
Stock-in-trade	33.02%	8.75%	(17.53%)	1.51%	12.57%	(0.14%)
Trade debts - considered good	23.00%	(11.12%)	4.21%	(16.77%)	0.47%	60.75%
Advances, deposits, prepayments and other receivables	(54.41%)	440.45%	22.40%	(20.21%)	57.49%	(59.34%)
Accrued mark-up	2.98%	(2.88%)	141.58%	1.45%	(90.91%)	101.05%
Investments	92.77%	39.98%	(56.38%)	20.35%	(19.40%)	(4.45%)
Cash and bank balances	28.65%	37.65%	123.42%	125.77%	(56.12%)	(24.45%)

Total assets

2016	2015	2014	2013	2012	2011
2.37%	5.09%	2.21%	0.84%	10.69%	18.23%

LIABILITIES

Current liabilities

Trade and other payables	2.68%	11.51%	17.17%	15.35%	9.19%	46.81%
Accrued mark-up on short term finance - secured	(77.95%)	(60.01%)	(28.86%)	(37.22%)	35.80%	10,376.89%
Current portion of Long term liabilities	(64.16%)	(24.72%)	0.37%	1.83%	76.09%	4334.33%
Taxation - net	9.38%	30.46%	25.74%	1859.29%	(95.98%)	(32.71%)

Non-current liabilities

Liabilities against asset subject to finance lease	31.02%	0.49%	31.31%	(3.04%)	(26.19%)	19.85%
Long Term Finance	(97.06%)	(74.57%)	(49.84%)	(31.73%)	49.97%	100.00%
Deferred taxation - net	(5.36%)	(6.82%)	(4.40%)	53.22%	55.52%	(5.36%)

Total liabilities

(9.51%)	(8.18%)	(6.97%)	(2.91%)	26.66%	258.20%
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NET ASSETS

5.70%	9.54%	5.71%	2.34%	5.35%	(3.40%)
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Issued, subscribed and paid-up capital	0.00%	20.00%	20.00%	0.00%	0.00%	0.00%
General reserve	5.45%	4.58%	0.28%	5.06%	4.37%	6.05%
Unappropriated profit	24.89%	22.84%	28.61%	(15.39%)	20.10%	(9.47%)
Surplus on re-measurement of investments classified as 'available for sale'	(97.01%)	140.89%	270.01%	100.00%	0.00%	0.00%

SHAREHOLDER'S EQUITY

5.70%	9.54%	5.71%	2.34%	5.35%	3.51%
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Total liabilities & Shareholder Equity

2.37%	5.09%	2.21%	0.84%	10.69%	25.95%
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Profit & Loss Account

Sales - net	20.67%	(4.25%)	20.42%	18.21%	20.56%	13.06%
Cost of sales	16.50%	(6.98%)	20.17%	24.00%	10.22%	38.12%
Gross profit	29.73%	2.26%	20.99%	6.29%	49.38%	(24.92%)
Administration and general expenses	5.79%	3.40%	1.54%	13.36%	11.16%	23.01%
Other operating income	6.56%	32.08%	6.56%	(20.64%)	(1.96%)	20.66%
Other operating charges	26.07%	1.63%	2.25%	(20.99%)	65.55%	(2.41%)
Impairment loss on 'available for sale' investment	0.00%	0.00%	0.00%	0.00%	(100.00%)	67.03%
Operating profit	26.65%	11.77%	23.45%	(4.39%)	29.34%	(18.05%)
Finance costs	(57.99%)	(37.02%)	(30.37%)	41.24%	578.25%	239.79%
Profit before taxation	29.88%	15.17%	30.46%	(8.26%)	21.04%	(18.98%)
Taxation - net	43.14%	(0.72%)	34.47%	11.90%	24.11%	(38.17%)
Profit after taxation	24.70%	22.84%	28.61%	(15.31%)	20.00%	(9.48%)



Vertical Analysis

	2016	2015	2014	2013	2012	2011
BALANCE SHEET						
ASSETS						
Non-current assets						
Property, plant and equipment	32.43%	35.87%	39.37%	40.84%	44.41%	39.89%
Long-term deposits	0.29%	0.29%	0.30%	0.30%	0.51%	0.41%
Long Term Investments	14.68%	28.37%	29.61%	12.14%	12.15%	-
Current assets						
Stores, spares and loose tools	2.05%	2.11%	2.36%	2.34%	2.40%	2.01%
Stock-in-trade	9.24%	7.11%	6.87%	8.51%	8.46%	8.32%
Trade debts - considered good	5.90%	4.91%	5.80%	5.69%	6.90%	7.60%
Advances, deposits, prepayments and other receivables	0.66%	1.49%	0.29%	0.24%	0.31%	0.21%
Accrued mark-up	1.43%	1.42%	1.54%	0.65%	0.65%	7.89%
Loans, receivables & Investments	30.52%	16.20%	12.17%	28.51%	23.88%	32.80%
Cash and bank balances	2.79%	2.22%	1.70%	0.78%	0.35%	0.87%
Total assets	100%	100%	100%	100%	100%	100%
LIABILITIES						
Current liabilities						
Current portion of long term liabilities	0.85%	2.42%	3.38%	3.44%	3.41%	2.14%
Trade and other payables	10.48%	10.45%	9.85%	8.59%	7.51%	7.61%
Accrued mark-up on short term finance - secured	0.01%	0.03%	0.08%	0.11%	0.17%	0.14%
Taxation - net	2.57%	2.40%	1.93%	1.57%	0.08%	2.23%
Non-current liabilities						
Current portion of lease liabilities	0.27%	0.21%	0.22%	0.17%	0.18%	0.26%
Long Term Finance	0.02%	0.80%	3.31%	6.75%	9.96%	7.35%
Deferred taxation - net	5.22%	5.64%	6.36%	6.97%	7.36%	5.31%
Total liabilities	19.40%	21.95%	25.12%	27.60%	28.67%	25.05%
NET ASSETS						
	80.60%	78.05%	74.88%	72.40%	71.33%	74.95%
Issued, subscribed and paid-up capital	11.24%	11.50%	10.07%	8.58%	8.65%	9.58%
General reserve	57.34%	55.67%	55.94%	57.01%	54.72%	58.03%
Unappropriated profit	11.98%	9.82%	8.40%	6.68%	7.96%	7.33%
Surplus on re-measurement of investments classified as 'available for sale'	0.03%	1.06%	0.46%	0.13%	0.00%	0.00%
SHAREHOLDER'S EQUITY	80.60%	78.05%	74.88%	72.40%	71.33%	74.95%
Total liabilities & Shareholder Equity	100%	100%	100%	100%	100%	100%
Profit & Loss Account						
Sales - net	2,583,566	2,140,952	2,236,019	1,856,926	1,570,912	1,303,019
Cost of sales	1,706,946	1,465,235	1,575,208	1,310,772	1,057,056	959,019
Gross profit	876,620	675,717	660,811	546,154	513,856	344,000
Administration and general expenses	180,286	170,417	164,818	162,313	143,181	128,812
	696,334	505,300	495,993	383,841	370,675	215,188
Other operating income	300,600	282,092	213,579	200,437	252,575	257,621
	996,934	787,392	709,572	584,278	623,250	472,809
Other operating charges	72,272	57,326	56,406	55,165	69,817	42,174
Impairment loss on 'available for sale' investment	-	-	-	-	-	2,736
Operating profit	924,662	730,066	653,166	529,113	553,433	427,899
Finance costs	11,244	26,765	42,495	61,033	43,211	6,371
Profit before taxation	913,418	703,301	610,671	468,080	510,222	421,528
Taxation - net	282,547	197,388	198,814	147,848	132,121	106,452
Profit after taxation	630,871	505,913	411,857	320,232	378,101	315,076



Statement of Compliance with the Code of Corporate Governance

Name of Company: **Security Papers Limited**
Year Ended: **30 June 2016**

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Chapter 5.19 of Rule Book of Pakistan Stock Exchange Limited (PSX) 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)
Sheikh Mohammad Aijaz Akhtar	✓		
Ms. Nargis Ghaloo		✓	
Mr. Muhammad Misbah Tunio			✓
Dr. Abolghassem Jamshidi - (Iran)		✓	
Mrs. Ayla Akin - (Turkey)		✓	
Mr. Jamal Nasim		✓	
Mr. Muhammad Ayub		✓	
Mr. Shamsuddin Soomro		✓	
Mr. Muhammad Wajid Jamil		✓	
Ch. Mehboob Ilahi		✓	

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company except one director, Ms. Nargis Ghaloo who has been exempted from the requirement of clause (ii) of the Code of Corporate Governance vide SECP's letter No: CLD/CCD/CG/Exemption/2014/461 dated February 23, 2015.
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. A casual vacancy occurring on the Board on 27th October 2015 was filled up by the directors within 90 days.
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. Six directors of the Company had already completed Directors' Training Program (DTP). In addition two directors met the criteria of exemption under Code of Corporate Governance. Further, DTP for the other two directors was in process of completion during the period under review.
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 five members, of whom all are non-executive directors including Chairman of the Committee.
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.



Security Papers
LIMITED

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

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

MR. MUHAMMAD MISBAH TUNIO
Chief Executive Officer

Karachi
Dated: 29 July 2016



Financial Statements

For the Year ended 30 June 2016



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
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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 2016** 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 2016**.


Chartered Accountants

Date: 29 July 2016

Place: Karachi

A member firm of Ernst & Young Global Limited



Auditors' Report to the Members



Ernst & Young Ford Rhodes Sidat Hyder
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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 2016** 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 2016** 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.

Chartered Accountants
Audit Engagement Partner: Shariq Ali Zaidi
Date: 29 July 2016
Karachi

A member firm of Ernst & Young Global Limited



Balance Sheet

As At 30 June 2016

	Note	2016 ----- (Rupees in '000) -----	2015
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,710,120	1,847,614
Long-term deposits	5	15,514	15,048
Long-term investments	6	774,229	1,461,099
		2,499,863	3,323,761
Current assets			
Stores, spares and loose tools	7	108,025	108,855
Stock-in-trade	8	487,006	366,127
Trade debts - considered good	9	310,892	252,764
Advances, deposits, prepayments and other receivables	10	34,973	76,711
Accrued mark-up	11	75,523	73,341
Investments	12	1,608,966	834,660
Cash and bank balances	13	147,365	114,543
		2,772,750	1,827,001
		5,272,613	5,150,762
Total assets			
LIABILITIES			
Current liabilities			
Trade and other payables	14	552,525	538,105
Accrued mark-up		325	1,474
Current maturity of long term loan	16	40,037	120,988
Current portion of liabilities against asset subject to finance lease	17	4,685	3,791
Taxation - net		135,322	123,714
		732,894	788,072
Non-current liabilities			
Long term loan	16	1,212	41,249
Liabilities against asset subject to finance lease	17	13,990	10,678
Deferred taxation - net	18	275,028	290,593
		290,230	342,520
		1,023,124	1,130,592
		4,249,489	4,020,170
NET ASSETS			
FINANCED BY:			
Authorised share capital 70,000,000 (2015: 70,000,000) ordinary shares of Rs 10 each		700,000	700,000
Issued, subscribed and paid-up capital	19	592,559	592,559
General reserves		3,023,489	2,873,119
Unappropriated profit		631,815	500,140
Re-measurement of investments classified as available for sale		1,626	54,352
		4,249,489	4,020,170
SHAREHOLDERS' EQUITY			
Contingencies and commitments			
	20		

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

Muhammad Misbah Tunio
Chief Executive Officer

Muhammad Ayub
Director



Profit and Loss Account

For the year ended 30 June 2016

	Note	2016 ----- (Rupees in '000) -----	2015
Sales - net	21	2,583,566	2,140,951
Cost of sales	22	(1,706,946)	(1,465,235)
Gross profit		876,620	675,716
Administration and general expenses	23	(180,286)	(170,417)
Other income	25	300,600	282,092
Other charges	26	(72,272)	(57,326)
Finance costs	27	(11,244)	(26,764)
Profit before taxation		913,418	703,301
Taxation - net	28	(282,547)	(197,387)
Profit after taxation		630,871	505,914
		----- (Rupees) -----	
Earnings per share (Basic & Diluted)	29	10.65	8.54

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

Muhammad Misbah Tunio
Chief Executive Officer

Muhammad Ayub
Director



Statement of Comprehensive Income

For the year ended 30 June 2016

	2016 ----- (Rupees in '000) -----	2015 ----- (Rupees in '000) -----
Profit for the year	630,871	505,914
Other comprehensive income:		
Other comprehensive income not to be reclassified to profit & loss account in subsequent periods		
Re-measurement Gain / (loss) on defined benefit plan	6,710	(14,661)
Other comprehensive income to be reclassified to profit & loss account in subsequent periods		
Unrealised appreciation during the year on remeasurement of investments classified as 'available for sale'	1,626	54,352
Realised appreciation during the year on redemption of investments classified as 'available for sale'	(54,352)	(22,563)
	(52,726)	31,789
	(46,016)	17,128
Total comprehensive income for the year	584,855	523,042

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

Muhammad Misbah Tunio
Chief Executive Officer

Muhammad Ayub
Director



Cash Flow Statement

For the year ended 30 June 2016

Note	2016	2015
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	33 693,235	668,613
Long-term deposits	(466)	(487)
Taxes paid	(286,164)	(203,125)
Finance costs paid	(12,393)	(28,974)
Net cash generated from operating activities	394,212	436,027
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(66,159)	(118,333)
Proceeds from sale of property, plant and equipment	1,148	1,866
Redemption of Sukuk Term Finance Certificates	3,094	-
Investment made during the year - net	(124,737)	(154,674)
Received Capital Gain on Redemption of Mutual Fund	66,443	-
Dividend Received on Mutual Fund	27,348	-
Mark-up received	180,360	192,422
Net cash from / (used in) investing activities	87,497	(78,719)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term loan	(120,988)	(161,214)
Payments against lease obligations	(5,052)	(4,552)
Dividend paid	(322,847)	(160,212)
Net cash used in from financing activities	(448,887)	(325,978)
Net increase in cash and cash equivalents	32,822	31,330
Cash and cash equivalents at beginning of the year	114,543	83,213
Cash and cash equivalents at end of the year	147,365	114,543

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

Muhammad Misbah Tunio
Chief Executive Officer

Muhammad Ayub
Director



Statement of Changes in Equity

For the year ended 30 June 2016

	Issued, subscribed and paid-up share capital	General reserves	Unappropriated profit	Re-measurement of investments classified as available for sale	Total Equity
----- (Rupees in '000) -----					
Balance as at 30 June 2014	493,799	2,806,919	346,677	22,563	3,669,958
Total comprehensive income for the year ended 30 June 2015					
Profit for the year	-	-	505,914	-	505,914
Other comprehensive income, net of taxes	-	-	(14,661)	31,789	17,128
Transactions with owners					
Final cash dividend @ Rs 3.50 per 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)	-	-
Balance as at 30 June 2015	592,559	2,873,119	500,140	54,352	4,020,170
Total comprehensive income for the year ended 30 June 2016					
Profit for the year	-	-	630,871	-	630,871
Other comprehensive income, net of taxes	-	-	6,710	(52,726)	(46,016)
Transactions with owners					
Cash dividend @ Rs 6.00 per ordinary share for the year ended 30 June 2015	-	-	(355,536)	-	(355,536)
Transfer to general reserves	-	150,370	(150,370)	-	-
Balance as at 30 June 2016	592,559	3,023,489	631,815	1,626	4,249,489

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

Muhammad Misbah Tunio
Chief Executive Officer

Muhammad Ayub
Director



Notes to the Financial Statements

For the year ended 30 June 2016

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 Pakistan Stock Exchange Limited.

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:

Standard or Interpretation	Effective date (annual periods Beginning on or after)
IFRS 2 Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates – 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)	Not yet finalized
IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
IAS 1 Presentation of Financial Statements - Disclosure Initiative (Amendment)	01 January 2016
IAS 7 Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	01 January 2017
IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	01 January 2017
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 in September 2014. 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
IFRS 16 – Leases	01 January 2019

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 Standards, Interpretations and Amendments

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

IFRS 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 13 – Fair Value Measurement

The adoption of the above accounting standards did not have any effect on 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.



Notes to the Financial Statements

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.

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.



Notes to the Financial Statements

(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.

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. Corresponding income on the asset and change in the liability is also off-set accordingly.

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.



Notes to the Financial Statements

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 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 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 originated by the company are recognised and carried at original invoice amount less provision for doubtful debt. An estimated provision is made when collection of the full amount no longer payable. Bad debts are written-off as and when identified.

Other receivable are recognised and carried at cost which is the fair value of the consideration to be received in the future for goods and services.

3.8 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost and are defined as cash in hand and cash at banks. For the purpose of cashflow statement cash and cash equivalents comprise of cash in hand and cash at banks

3.9 Trade and other payables

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

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.

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.



Notes to the Financial Statements

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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates, and sales tax or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The Company has concluded that it is acting as a principal in all its revenue arrangements. The following are the specific recognition criteria that must be met before revenue is recognised:

- 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.

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 in accordance with the provisions of the income tax ordinance 2001. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.



Notes to the Financial Statements

Deferred

Deferred tax is provided in full using the liability method, on all temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, while deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forwards of unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profits will allow deferred tax asset to be recovered.

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 Pakistani 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	2016 ----- (Rupees in '000) -----	2015
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	1,704,667	1,843,930
Capital work-in-progress	4.3	5,453	3,684
		1,710,120	1,847,614



Notes to the Financial Statements

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

	2016																
	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)																
At 1 July 2015																	
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			
During the year																	
Additions	-	-	-	1,661	35,413	2,736	4,029	44	16,388	2,075	1,618	426	9,168	73,558			
Disposals:																	
Cost	-	-	-	-	-	-	-	-	-	(18)	(15)	(124)	(5,108)	(5,265)			
Depreciation	-	-	-	-	-	-	-	-	-	18	15	107	4,761	4,901			
Depreciation charge for the year	-	-	(15)	(3,236)	(170,983)	(14,710)	(2,097)	(720)	(11,714)	(3,232)	(986)	(187)	(4,577)	(212,457)			
Closing net book value	417	293	3	112,167	1,388,451	10,207	10,002	9,078	147,269	8,117	2,473	476	15,714	1,704,667			
At 30 June 2016																	
Cost	417	293	1,015	137,433	2,908,132	71,439	36,668	12,824	207,850	41,534	14,782	4,970	28,075	3,465,432			
Accumulated depreciation	-	-	(1,012)	(25,266)	(1,519,681)	(61,232)	(26,666)	(3,746)	(60,581)	(33,417)	(12,309)	(4,494)	(12,361)	(1,760,765)			
Net book value	417	293	3	112,167	1,388,451	10,207	10,002	9,078	147,269	8,117	2,473	476	15,714	1,704,667			
Depreciation rate % per annum	-	-	2.5%	2.5%	6%	25%	10%	6%	6%	15%	25%	20%	20%				

	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)																
At 1 July 2014																	
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			
During the year																	
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)			
Closing 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			
At 30 June 2015																	
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			
Depreciation rate % per annum	-	-	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	2016	2015
----- (Rupees in '000) -----			
Cost of sales	22	205,956	197,471
Administration and general expenses	23	6,503	6,432
		212,459	203,903

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

	Cost	Accumulated depreciation	Net book value	Sales proceeds	Mode of disposal	Particulars of buyers	Location
----- (Rupees in '000) -----							
Vehicle - owned							
Trakkers	124	107	17	19	Company's policy	Various Employees	Karachi
Vehicles - leased							
Suzuki Alto	636	636	-	95	Company's policy	Mr. Shahbaz	Karachi
Honda City	1,270	1,270	-	189	Company's policy	Mr. Abdul Aleem	Karachi
Honda City	1,330	1,330	-	200	Company's policy	Mr. Faiz ul Islam	Karachi
Suzuki Cultus	991	644	347	506	Company's policy	Mr. Imad Ahmed	Karachi
Suzuki Cultus	881	882	-	132	Company's policy	Mr. A.Q.Jilani	Karachi
Plant & Machinery							
Shredding Machine	18	18	-	6	Tender	M/s Jangriaz Khan	Karachi
Computer							
Monitor 15	15	14	-	1	Tender	M/s ACI Chemical	Karachi
	2016	5,265	4,901	364	1,148		
	2015	3,728	3,330	398	1,866		

4.3 Capital work-in-progress

	2016	2015
----- (Rupees in '000) -----		
Building	873	1,457
Plant and machinery	2,718	475
Vehicle	1,862	1,752
	5,453	3,684



Notes to the Financial Statements

	Note	2016 ----- (Rupees in '000) -----	2015
The movement in capital work-in-progress is as follows:			
Balance as at beginning of the year		3,684	118,583
Additions during the year			
- Plant and machinery		27,160	43,471
- Building		3,559	23,241
- Electric Water & Gas Installation		-	19,835
- Vehicle		9,278	1,753
- Others		-	509
		39,997	88,809
Transfers to operating fixed assets			
- Plant and machinery		(24,913)	(105,645)
- Building		(4,147)	(31,789)
- Electric Water & Gas Installation		-	(63,567)
- Vehicle		(9,168)	
- Others		-	(2,707)
		(38,228)	(203,708)
Balance at end of the year		5,453	3,684
5. LONG-TERM DEPOSITS			
Security deposits	5.1	15,514	15,048

5.1 These include deposits amounting to Rs 11.661 million (2015: Rs 11.661 million) given to the K-Electric on which interest is received @ 5% per annum.

	Note	2016 ----- (Rupees in '000) -----	2015
6. LONG-TERM INVESTMENTS			
Held-to-maturity			
Pakistan Investment Bond	6.1	1,472,123	1,461,099
Current maturity	12	(697,894)	-
		774,229	1,461,099
6.1			
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 maturities in July, August 2016 and July 2018. The profit payments are made semi annually.			
6.2			
As at 30 June 2016 PIB's of Rs 950 million are collateralised with a commercial bank against borrowing facilities obtained by the Company.			



Notes to the Financial Statements

	Note	2016 ----- (Rupees in '000) -----	2015 ----- (Rupees in '000) -----
7. STORES, SPARES AND LOOSE TOOLS			
Stores		12,942	11,870
Spares - in hand		105,529	109,492
Spares in transit		3,639	1,602
Loose tools		256	232
		122,366	123,196
Provision for slow moving and obsolete stores and spares		(14,341)	(14,341)
		108,025	108,855
8. STOCK-IN-TRADE			
Raw materials - in hand		169,597	144,201
Raw materials - in transit		52,644	12,506
		222,241	156,707
Slow moving raw material written off		(3,874)	-
Provision for slow moving raw materials	8.1	(3,264)	-
		(7,138)	-
Work-in-process		214,301	160,272
Finished goods		89,076	90,224
Slow moving finished goods written off		(31,474)	-
Provision for slow moving inventories	8.1	-	(41,076)
		57,602	49,148
		487,006	366,127
8.1 PROVISION FOR SLOW MOVING INVENTORIES			
Opening Balance		41,076	41,076
Provision / reversal made during the year		(2,464)	-
Written-off during the year		(35,348)	-
		(37,812)	-
		3,264	41,076
9. TRADE DEBTS - considered good			
<i>Unsecured</i>			
Due from Pakistan Security Printing Corporation (Private) Limited - related party			
- considered good		310,812	252,683
Due from Others		80	81
		310,892	252,764
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 493.774 million (2015: Rs 499.80 million).		



Notes to the Financial Statements

	Note	2016 ----- (Rupees in '000) -----	2015 ----- (Restated) -----
10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advance to suppliers - unsecured and considered good		26,490	70,088
Due from Provident Fund		162	-
Short-term deposits	10.1	6,868	3,960
Short-term prepayments		523	2,087
Loan to employees - considered good	10.2	-	83
Others		930	493
		34,973	76,711

10.1 This represents interest free deposits held with service providers and against letter of credit issued by a commercial bank.

10.2 This represented loan provided to employees carried interest at rate of 9% per annum with maturity upto 30 June 2016.

	Note	2016 ----- (Rupees in '000) -----	2015
11. ACCRUED MARK-UP			
Pakistan Investment Bond		73,855	70,264
Term Finance Certificates		321	2,559
Security deposits		1,125	516
Deposit and savings accounts		222	2
		75,523	73,341

12. INVESTMENTS

Held to maturity

Pakistan Investment Bonds	6	697,894	-
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Available for sale

Term finance certificates			
B.R.R. Guardian Modaraba			
1,678 (2015: 2,503) units of Rs 5,000 each	12.1	6,291	9,384
Units of Mutual Funds	12.2	904,781	825,276
		1,608,966	834,660

12.1 Diminishing Musharaka based term finance certificates originally had a term of 6 years and carried profit at the rate of six months KIBOR plus 1.3% payable semi annually with maturity on 26 May 2014. The borrower had defaulted on certain payments and entered into a restructuring agreement with the trustee on 15 April 2011. As per the revised terms, the principal amount was redeemable in varying monthly installments commencing from 07 August 2011 and ending on 07 December 2016 with regular profit pricing at the rate 01 month KIBOR and certain deferred profit (pertaining before restructuring) payable on monthly basis. The borrower has again defaulted on certain payments and entered into second restructuring agreement with the trustee on 30 June 2016. Revised terms include;

- The principal amount will be redeemed in varying monthly installments commencing from 07 July 2016 and ending on 07 April 2019.
- Markup at the rate of 01 month KIBOR plus 1.5% payable on monthly basis.
- The overdue principal, regular profit and deferred profit as at Dec 06, 2015 are to be paid till March 31, 2016.



Notes to the Financial Statements

The borrower has paid overdue amounts and regular markup till March 06, 2016 as per revised terms.

The fair value of the investment has been determined using the rate notified by Mutual Fund Association of Pakistan.

12.2	2016	2015	Name of Investee Company	Note	2016	2015
	----- (Units) -----				----- (Rupees in '000) -----	
	-	7,514,747	- Meezan Islamic Fund		-	459,226
	19,578,233	9,681,658	- NAFA Islamic Asset Allocation		305,225	154,818
	-	5,384,288	- NAFA Islamic Stock Fund		-	59,342
	-	2,492,836	- MCB - PIEIAAF		-	151,890
	10,699,654	-	-Meezan Islamic Income Fund		548,678	-
	4,878,052	-	- NIT Islamic Equity Fund		50,878	-
	35,155,939	<u>25,073,528</u>			904,781	<u>825,276</u>

13. CASH AND BANK BALANCES

Cash in hand		301	222
With banks in:			
- Current accounts		540	172
- Saving accounts	13.1	130,796	101,566
- Deposit account		62	62
- Dividend accounts		15,666	12,521
		147,064	114,321
		147,365	114,543

13.1 Saving accounts carry profit ranging from 2.5% to 6.00% per annum (2015: 5% to 8.25% per annum).

13.2 The Company has banking relationship with banks having conventional banking system except for an account maintained in islamic bank.

		2016	2015
		----- (Rupees in '000) -----	
14. TRADE AND OTHER PAYABLES			
Creditors		14,911	22,707
Payable against purchase of operating fixed assets		39,308	36,453
Salaries, wages and benefits payable		112,650	97,476
Accrued compensated absences	14.1	50,677	46,174
Sales tax payable		25,690	31,362
Withholding tax payable		16,370	9,516
Provision for fire tax	14.2	37,023	37,023
Unclaimed dividend		138,142	105,453
Workers' welfare fund	14.3	33,871	28,377
Workers' profit participation fund	14.4	(1,678)	37,746
Advances from customers		3,377	2,740
Utilities		25,052	23,758
Payable to gratuity fund	24.1.2	5,174	32,679
Deposits repayable on demand	14.5	7,805	7,105
Others	14.6	44,153	19,536
		552,525	538,105



Notes to the Financial Statements

	2016 ----- (Rupees in '000) -----	2015
14.1 Employees' compensated absences		
Balance at beginning of the year	46,174	42,166
Charge for the year	4,503	4,008
Balance at end of the year	<u>50,677</u>	<u>46,174</u>

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 covering the period from 2003 to 2011.

	Note	2016 ----- (Rupees in '000) -----	2015
14.3 Workers' welfare fund			
Balance as at 1 July		28,377	28,226
Provision for the year	26	19,221	13,727
Prior year charge		339	263
Payments / adjustments during the year		<u>(14,066)</u>	<u>(13,839)</u>
		<u>33,871</u>	<u>28,377</u>

14.4 Workers' profit participation fund

Balance as at 1 July		37,746	(1,145)
Add:			
Allocation for the year	26	44,985	37,746
Received from fund		-	1,145
Interest on funds utilised in the Company's business	27	472	142
		<u>45,457</u>	<u>39,033</u>
		<u>83,203</u>	<u>37,888</u>
Paid during the year - net		<u>(84,881)</u>	<u>(142)</u>
		<u>(1,678)</u>	<u>37,746</u>

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

14.6 This includes an amount of Rs 6.691 million (2015: Rs 8.236 million) payable to Pakistan Security Printing Corporation (Private) Limited, a related party, 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 2016, the Company has running finance facility from National Bank of Pakistan and Bank Al Habib Limited amounting to Rs 100 million each (2015: Rs 100 million each)



Notes to the Financial Statements

The arrangement from National Bank of Pakistan is secured by first pari passu hypothecation charge over stores, spares, loose tools, stock-in-trade and book debts and are available till 31 December 2016. 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-1 month) plus 1.25 basis points (2015: one month's Karachi Inter Bank Offered Rate (KIBOR) plus 1.25 basis points).

The arrangement from Bank Al Habib Limited (BAHL) is secured by lien over PIBs of Rs 950 million, import documents consigned in favour of BAHL and counter guarantees and is available till 31 December 2016. The outstanding balance against these facilities will be subject to mark-up at the rate 3 months average KIBOR to be reviewed on first working day of each calendar quarter on the basis of arithmetic mean of preceding six working day.

15.2 Running Musharka

As at June 30 2016, the company has arrangement of running musharka facility of Rs 200 million from Meezan Bank Limited (2015: Nil).

The arrangement is secured by first pari passu hypothecation charge created over stores, spares, loose tools, stock-in-trade and book debts of the Company and are available till 30 September 2016. Musharka profit would be determined on the basis of audited / interim accounts. Provisional profit would be paid quarterly using KIBOR of first working day / first disbursement date and average musharka facility availed to calculate the target profit plus profit above ceiling amount, if any, would be shared with the ratio 0.001% for Meezan Bank Limited and 99.999% for Security Papers Limited on the basis of audited accounts.

15.3 Import letter of credit (sight / usance)

As at 30 June 2016, 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 (2015: Rs 100 million facility from National Bank of Pakistan and Bank Al Habib Limited).

The Musharka facility from Meezan Bank Limited would also be used for import letter of credit (sight / usance) amounting to Rs 200 million.

15.4 Ijarah Facility

As at 30 June 2016, the Company has ijarah facility from the Meezan Bank Limited amounting to Rs 50 million (2015: Rs Nil) out of which Rs 3.735 million were utilized.

15.4 Letter of Guarantee Facility

As at 30 June 2016, the Company has facilities from National Bank of Pakistan and Bank Al Habib Limited relating to letters of guarantee as follows:

	2016 ----- (Rupees in '000) -----	2015
Total facility available	<u>120,000</u>	<u>120,000</u>
Utilised facility	<u>49,972</u>	<u>40,982</u>

In addition to above facility, Company has also taken one time facility during 2014-2015 of Rs 175 million from Bank Al Habib Limited for letter of Guarantee issued to NADRA against advance payment for supply of CRC paper. Out of which Rs161.46 was utilised.



Notes to the Financial Statements

	2016	2015
	----- (Rupees in '000) -----	
16. LONG TERM LOAN - secured		
Balance as at 1 July	162,237	323,451
Repayments during the year	(120,988)	(161,214)
	41,249	162,237
Current maturity shown under current liabilities	(40,037)	(120,988)
	1,212	41,249

The Company has acquired facility amounting to Rs 114.147 million (2015: Rs 283.37 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 2016 (2015: 31 December 2015) and carries mark-up at three months Karachi Inter Bank Offer Rate (KIBOR) at effective annual rate of 6.73% (2015: 9.65%).

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.

17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2016			2015		
	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	5,980	1,295	4,685	4,932	1,141	3,791
Later than one year and not later than five years	15,476	1,486	13,990	12,053	1,375	10,678
	21,456	2,781	18,675	16,985	2,516	14,469

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 March 2021 in monthly installments and is subject to annual finance charge rates ranging from 7.86% to 9.36% (2015: 8.51% to 10.01%)

	2016	2015
	----- (Rupees in '000) -----	
18. DEFERRED TAXATION - net		
Deferred tax liability arising due to accelerated tax depreciation	295,318	326,104
Deferred tax asset arising in respect of:		
Provision for slow moving inventory and fire tax	(16,935)	(35,054)
Leased liability net of leased assets	(3,355)	(457)
	(20,290)	(35,511)
	275,028	290,593



Notes to the Financial Statements

19. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2016		2015		2016		2015	
(Number of shares)				----- (Rupees in '000) -----			
1,250,000	1,250,000	Ordinary shares fully paid in cash		12,500		12,500	
58,005,984	58,005,984	Ordinary shares issued as fully paid bonus shares		580,059		580,059	
59,255,984	59,255,984			592,559		592,559	

19.1 The following shares are held by the related parties of the Company as at 30 June 2016:

Name of related party	2016		2015	
	Shares held	Percentage	Shares held	Percentage
Pakistan Security Printing Corporation (Private) Limited	23,721,739	40.03%	23,721,739	40.03%
Summer Holding A.S. (Turkey)	5,925,565	10.00%	5,925,565	10.00%
Industrial Development & Renovation Organisation of Iran, Tehran (Iran)	5,925,565	10.00%	5,925,565	10.00%

20. CONTINGENCIES AND COMMITMENTS

	Note	2016		2015	
		----- (Rupees in '000) -----			
20.1 Contingencies					
Income tax	20.1.1	10,221		10,221	
Claims against the Company not acknowledged as debt	20.1.2	2,379		2,379	
Sales Tax on Services	20.1.3	4,163		4,163	
		16,763		16,763	

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 year ended 2015 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.



Notes to the Financial Statements

20.1.3 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 also upheld the order of AC. The company has filed Sindh Sales Tax Reference Application before the Honorable High Court of Sindh against the order of Appellate Tribunal of SRB which is still pending. The management of the company based on the advice of legal advisor is confident that the outcome of the case would be in its favour.

	Note	2016	2015
		----- (Rupees in '000) -----	
20.2 Commitments			
Capital expenditure contracted for but not incurred		5,499	6,414
Commitments against letters of credit		55,639	63,885
		61,138	70,299
21. SALES - net			
Banknote paper		2,467,345	1,993,826
Non-banknote paper:			
- Commercial paper		168,924	60,567
- Others		386,629	450,767
		555,553	511,334
		3,022,898	2,505,160
Sales tax		(439,332)	(364,209)
		2,583,566	2,140,951
22. COST OF SALES			
Opening stock of raw materials		156,707	191,355
Add: Purchases - net		748,296	551,605
		905,003	742,960
Closing stock of raw materials	8	(222,241)	(156,707)
Raw materials consumed		682,762	586,253
Salaries, wages and benefits	22.1	327,696	278,044
Defence security guards		36,286	18,330
Manufacturing services		122,453	59,998
Technical assistance fee		-	2,129
Stores, spares and loose tools consumed		77,216	96,165
Utilities		257,718	239,837
Repairs and maintenance		30,144	31,009
Insurance		5,155	3,973
Rent, rates and taxes		986	1,091
Depreciation	4.1.1	205,956	197,471
Other expenses		13,455	15,056
		1,759,827	1,529,356
Opening stock of work-in-process		160,272	79,966
Less: Closing stock of work-in-process		(214,301)	(160,272)
Cost of goods manufactured		1,705,798	1,449,050
Opening stock of finished goods		90,224	106,409
Closing stock of finished goods		(89,076)	(90,224)
		1,706,946	1,465,235



Notes to the Financial Statements

22.1 Employee retirement benefits

Salaries, wages and benefits include Rs 23.615 million (2015: Rs 24.557 million) in respect of employee retirement benefits.

	Note	2016 ----- (Rupees in '000) -----	2015
23. ADMINISTRATION AND GENERAL EXPENSES			
Salaries, wages and benefits	23.1	141,565	134,015
Rent, rates and taxes		919	610
Travelling expenses including those of directors Rs 2.23 million (2015: Rs 2.47 million)		4,762	4,567
Printing and stationery		2,428	2,633
Repairs and maintenance		5,167	4,446
Packing and forwarding		4,561	2,181
Advertisement		2,765	4,041
Training		647	724
Software expenses		627	280
Communication		2,397	2,374
Entertainment		1,368	1,458
Legal and professional		3,245	3,325
Depreciation	4.1.1	6,503	6,432
Others		3,332	3,331
		180,286	170,417

23.1 Salaries, wages and benefits include Rs10.724 million (2015: Rs 10.361 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 2016. The projected unit credit method, using the following significant assumptions has been used for the actuarial valuation.

	2016	2015
24.1.1 Actuarial assumptions		
a) Discount rate	7.25%	9.0%
b) Salary Increase Rate - Short Term	9.00%	11.0%
c) Salary Increase Rate - Long Term	7.25%	8.0%
d) Interest Credit Rate	7.25%	9.0%
e) Expected return on plan assets	7.25%	9.0%



Notes to the Financial Statements

	Note	2016 ----- (Rupees in '000) -----	2015
24.1.2 Amounts recognised in the balance sheet are as follows:			
Present value of defined benefit obligations	24.1.4	336,986	316,026
Fair value of plan assets	24.1.5	(331,812)	(283,347)
Liability on balance sheet		5,174	32,679
24.1.3 Movement in net liability recognised:			
Opening net liability		32,679	6,405
Expense recognized during the period		16,297	18,185
Other comprehensive income		(6,710)	14,661
Contributions and benefits paid on behalf of the fund		(37,092)	(6,572)
Closing net liability		5,174	32,679
24.1.4 Movement in present value of defined benefit obligations			
Opening present value of obligation		316,026	270,015
Current service cost		5,755	4,763
Interest cost		10,542	13,421
Benefits paid		(31,768)	(16,718)
Re-measurement Loss on obligation		10,690	10,935
Income distributed among the members		25,741	33,610
Closing present value of obligation		336,986	316,026
24.1.5 Movement in the fair value of plan assets			
Opening fair value of plan assets		283,347	263,610
Expected return on plan assets		25,741	33,610
Remeasurement gain / (Loss) on plan assets		17,400	(3,725)
Benefits paid		(31,768)	(16,720)
Contribution by Company		37,092	6,572
Closing fair value of plan assets		331,812	283,347
24.1.6 Expense recognised in the profit and loss account			
Current service cost		5,755	4,763
Net Interest cost		(15,199)	(20,188)
Income distributed among members		25,741	33,610
Cost for the year		16,297	18,185
24.1.7 Return on plan assets is as follows:			
Expected return on plan assets		25,741	33,610
Re-measurement gains/(Loss) on plan assets		17,400	(3,725)
Return on plan assets		43,141	29,885



Notes to the Financial Statements

	2016	2015
24.1.8 Plan assets comprised of following		
Defence Saving Certificates (DSCs)	10%	19%
Regular Income Certificates (RICs)	26%	25%
Special Saving Certificates (SSCs)	59%	52%
Bank account and short-term deposits	5%	4%
	100%	100%

24.1.9 Deficit / (surplus) on the plan assets are as follows:

	2016	2015	2014	2013	2012
	----- (Rupees in '000) -----				
			(Restated)	(Restated)	
Present value of defined benefit obligation	336,986	316,026	270,015	260,080	263,266
Fair value of plan assets	331,812	283,347	263,610	272,958	254,221
Deficit / (surplus)	5,174	32,679	6,405	(12,878)	9,045

24.1.10 5 years data on experience adjustments are as follows:

Loss / (gain) on obligation	10,690	10,935	(1,141)	(24,867)	(7,809)
(gain) / loss on plan assets	(17,400)	3,725	18,149	(15,824)	7,979

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 2016.

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 2016.

24.2 Defined contribution plan

	2016 Un-audited	2015 Un-audited
	----- (Rupees in '000) -----	
Size of the trust	389,670	382,791
Cost of investment made	281,388	277,246
Percentage of the investment made	72.21%	72.43%
Fair value of investment made	281,388	277,246



Notes to the Financial Statements

	2016		2015	
	Un-Audited Investment Rs in 000	% of Investment as size of the fund	Audited Investment Rs in 000	% of Investment as size of the fund
24.2.1 Breakup of investment				
Special Saving Certificates	129,963	46.2%	131,851	47.6%
Pakistan Investment Bond	150,849	53.6%	144,820	52.2%
Mutual Fund	576	0.2%	575	0.2%
	281,388		277,246	

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	2016 ----- (Rupees in '000) -----	2015
25. OTHER INCOME			
Income from financial assets			
Amortisation of discount on Pakistan Investment Bond	25.1	11,024	10,069
Gain on redemption of Mutual Fund	25.2	66,443	52,189
Dividend income on Mutual Fund	25.2	27,348	14,556
Reversal of impairment on term finance certificates		1,031	808
Mark-up on:			
- Pakistan Investment Bonds	25.1	173,415	170,497
- Treasury Bills	25.1	-	10,593
- Sukuk Term Finance Certificates	25.2	654	1,277
- Bank deposits and savings account	25.3	7,864	7,366
- Security deposits	25.1	609	516
- Loan to employees	25.1	4	10
		288,392	267,881
Income from non-financial assets			
Gain on sale of property, plant and equipment	26.3	784	1,468
Exchange gain		-	4,948
Sale of waste materials		8,135	5,519
Reversal of slow moving stock - net		2,464	-
Other income	25.4	825	2,276
		12,208	14,211
		300,600	282,092

25.1 Represents gain earned from non-islamic mode of investment.

25.2 Represents gain earned from islamic mode of investment.

25.3 Represents interest income from conventional banking system except for an account maintained with islamic bank.

25.4 Represents interest free income from various sources.

	Note	2016 ----- (Rupees in '000) -----	2015
26. OTHER CHARGES			
Workers' profit participation fund	14.4	44,985	37,746
Workers' welfare fund	14.3	19,221	13,727
Donation	26.1	3,656	4,846
Auditors' remuneration	26.2	1,082	1,007
Exchange loss - net	26.3	3,328	-
		72,272	57,326



Notes to the Financial Statements

26.1 Donation

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

	Note	2016	2015
		----- (Rupees in '000) -----	
26.2 Auditors' remuneration			
Audit fee		700	635
Review of half yearly financial statements		115	115
Special certification, Code of Corporate Governance and other services		97	95
Out of pocket expenses		170	162
		<u>1,082</u>	<u>1,007</u>

26.3 Represents exchange loss / gain - net arising on revaluation of actual currency financial assets and liabilities.

27. FINANCE COSTS

Interest / mark-up on:			
- long-term finance		6,462	23,718
- short-term finance		636	760
- finance leases		1,307	1,207
- Workers' Profit Participation Fund	14.4	472	142
Bank charges		2,367	937
		<u>11,244</u>	<u>26,764</u>

28. TAXATION - net

Current			
- for the year		302,298	213,927
- for prior year		(4,186)	4,508
		<u>298,112</u>	<u>218,435</u>
Deferred		(15,565)	(21,048)
		<u>282,547</u>	<u>197,387</u>

28.1 Reconciliation between tax expense and accounting profit

Accounting profit before taxation		913,418	703,301
Tax on accounting profit @ 32% (2015: 33%)		292,294	232,089
Rebates under section 61, 65A and 65B of the Ordinance		(10,535)	(23,246)
Tax at reduced rate		(16,818)	(4,969)
Tax effect of permanent differences		1,180	1,312
Effect of reduction in tax rate		(8,874)	(9,856)
Super tax		28,290	20,179
Exempt income		-	(12,042)
Tax effect of prior year		(4,185)	4,509
Others		1,195	(10,589)
		<u>282,547</u>	<u>197,387</u>
Average rate of tax		31%	28%



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) in respect of Workers Welfare Fund (WWF). 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.

The proceedings for monitoring of withholding taxes for the Tax Year 2015 have been initiated by the Deputy Commissioner Inland Revenue (DCIR) LTU Karachi, in response company have submitted relevant information with the DCIR.

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 the 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 % 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 29 July 2016 has proposed a sufficient cash dividend for the year ended 30 June 2016 (refer note 38) which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognised in these financial statements for the year ended 30 June 2016.



Notes to the Financial Statements

29. EARNINGS PER SHARE

	2016 ----- (Rupees in '000) -----	2015 ----- (Rupees in '000) -----
Profit after taxation	<u>630,871</u>	<u>505,914</u>
(Number of shares)	(Number of shares)	
Weighted average number of ordinary shares	<u>59,255,984</u>	<u>59,255,984</u>
	(Rupees)	
Earnings per share - basic and diluted	<u>10.65</u>	<u>8.54</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:

	2016			2015		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	----- (Rupees in '000) -----					
Directors' fee	2,594	10,750	-	2,781	12,813	-
Managerial remuneration, utilities, housing etc. (including bonus)	-	-	85,314	1,000	-	69,235
Reward and other benefits	6,260	-	-	2,649	-	-
Retirement benefits	-	-	5,660	-	-	5,013
Medical	-	-	3,942	-	-	3,097
Total	<u>8,854</u>	<u>10,750</u>	<u>94,916</u>	<u>6,430*</u>	<u>12,813</u>	<u>77,345</u>
Number of persons	<u>1</u>	<u>8</u>	<u>38</u>	<u>1</u>	<u>11</u>	<u>34</u>

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

30.1 The company bears the travelling expenses of Chief executive and directors relating to travel for official purposes including expenses incurred in respect of attending board meetings.

30.2 Reward & other benefits include an amount of Rs 3.48 million (2015: Nil) as an award in recognition of his excellent performance and valuable services to the company.

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

	2016		
	Key Management Personnel	Associated undertakings	Total
	----- (Rupees in '000) -----		
Transactions during the year:			
Sale of goods to Pakistan Security Printing Corporation (Private) Limited - net	-	2,439,294	2,439,294
Remuneration to key management personnel	114,520	-	114,520
Balance outstanding at the year end			
Receivable from Pakistan Security Printing Corporation (Private) Limited - net	-	304,120	304,120
	2015		
	Key Management Personnel	Associated undertakings	Total
	----- (Rupees in '000) -----		
Transactions during the year:			
Sale of goods to Pakistan Security Printing Corporation (Private) Limited - net	-	2,089,394	2,089,394
Remuneration to key management personnel	96,588	-	96,588
Balance outstanding at the year end			
Receivable from Pakistan Security Printing Corporation (Private) Limited - net	-	244,454	244,454



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.

	2016	2015
	(Tons)	
32. PRODUCTION CAPACITY		
Total Installed Capacity - on three shift basis	<u>2,800</u>	<u>2,500</u>
Available installed capacity -based on available three shift working days	<u>2,780</u>	<u>2,481</u>
Actual production	<u>2,657</u>	<u>2,210</u>

The short capacity utilisation during the year was due to scheduled plant (PM-2) shut down of 10 days (2015: 11 days) for maintenance purposes.

	Note	2016	2015
		----- (Rupees in '000) -----	
33. CASH GENERATED FROM OPERATIONS			
Profit before taxation		913,418	703,301
Adjustments for:			
Depreciation		212,457	203,903
Gain on disposal of property, plant and equipment		(784)	(1,468)
Reversal of impairment on term finance certificates		(1,031)	(808)
Reversal of provision of slow moving stock - net		(2,464)	-
Amortisation of discount		(11,024)	(10,069)
Gain on redemption of investments		(66,443)	(52,189)
Dividend income on Mutual fund		(27,348)	-
Mark-up on investments		(174,073)	(182,377)
Mark-up on bank deposits and saving accounts		(7,864)	(7,366)
Mark-up on security deposits		(609)	(516)
Finance costs		11,244	26,764
Working capital changes	33.1	(152,244)	(10,562)
		(220,183)	(34,688)
		<u>693,235</u>	<u>668,613</u>



Notes to the Financial Statements

	2016	2015
	----- (Rupees in '000) -----	
33.1 Working capital changes		
Decrease / (increase) in current assets		
Stores, spares and loose tools	830	6,860
Stock-in-trade	(118,415)	(29,473)
Trade debts	(58,128)	31,638
Advances, deposits, prepayments and other receivables	41,738	(62,518)
	<u>(133,975)</u>	<u>(53,493)</u>
(Decrease) / increase in current liabilities		
Trade and other payables	(18,269)	42,931
	<u>(152,244)</u>	<u>(10,562)</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 2,967.462 million (2015: Rs 2,828.166 million), the financial assets which are subject to credit risk amounted to Rs 1,467.863 million (2015: Rs1,294.670 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 10.25% (2015: 7.02%) 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

	2016	2015
	----- (Rupees in '000) -----	
Investments	911,072	834,660
Trade debts	310,892	252,764
Deposits, accrued mark up and other receivables	98,835	92,925
Bank balances	147,064	114,321
	1,467,863	1,294,670

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.

	2016	2015
Term Finance Certificates (Refer note 12.1)	D	D
Meezan Islamic Income Fund	AM2++	-
NIT Islamic Equity Fund	AM2+	-
Nafa Islamic Stock Fund	-	AM2+
Nafa Islamic Asset Allocation Fund	AM2++	AM2+
-		
Pakistan International Element Islamic Asset Allocation Fund	-	AM2+

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

	2016		2015	
	Gross	Impairment	Gross	Impairment
	----- (Rupees in '000) -----			
Not past due	294,638	-	252,519	-
31-90	16,174	-	160	-
91-180	-	-	-	-
181-360	-	-	-	-
360 and above	80	-	85	-
	310,892	-	252,764	-

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

	2016	2015
	----- (Rupees in '000) -----	
Opening balance	-	1,904
Written off	-	(1,904)
Closing balance	-	-



Notes to the Financial Statements

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:

	2016					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	----- (Rupees in '000) -----					
Financial Liabilities						
Long term loans	41,249	(42,622)	(33,927)	(7,452)	(1,243)	-
Trade and other payables	361,166	(361,166)	(167,172)	(48,655)	(145,339)	-
Liabilities against asset subject to finance lease	18,675	(21,456)	-	-	-	-
Accrued mark up	325	(325)	(325)	-	-	-
	421,415	(425,569)	(201,424)	(56,107)	(146,582)	-

	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) -----					
Financial Liabilities						
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)	-	-	-
	598,557	(622,609)	(466,069)	(66,032)	(81,003)	(9,506)



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:

	2016			
	USD	GBP	Euro	Total
	------(Rupees in '000)-----			
Payable against purchase of operating fixed assets	-	-	24,541	24,541
Technical fee payable	-	-	-	-
Gross balance sheet exposure	-	-	24,541	24,541
Outstanding letters of credit	4,178	-	51,461	55,639
Net exposure	4,178	-	76,002	80,180

	2015			
	USD	GBP	Euro	Total
	------(Rupees in '000)-----			
Payable against purchase of operating fixed assets	-	-	24,010	24,010
Technical fee payable	-	-	-	-
Gross balance sheet exposure	-	-	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

The following significant exchange rates have been applied:

	Reporting date rate	
	2016	2015
USD to PKR	104.70	101.70
GBP to PKR	140.39	159.91
Euro to PKR	116.31	114.79

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

	2016 ----- (Rupees in '000) -----	2015 ----- (Rupees in '000) -----
Effect on profit		
Increase / decrease	<u>1,669</u>	<u>1,609</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	2016 ----- (Rupees in '000) -----	2015 ----- (Rupees in '000) -----
Financial assets			
<i>Fixed rate instruments</i>			
Pakistan Investment Bond	6	1,472,123	1,461,099
Treasury Bills	12	-	-
		<u>1,472,123</u>	<u>1,461,099</u>
<i>Variable rate instruments</i>			
Term Finance Certificates	12	<u>6,291</u>	<u>9,384</u>
Financial liabilities			
<i>Variable rate instruments</i>			
Long Term Loan	16	41,249	162,237
Liabilities against asset subject to Finance Lease	17	18,675	14,469
		<u>59,924</u>	<u>176,706</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

	Effect on profit and loss	
	100 bp increase	100 bp decrease
	(Rupees in '000)	
As at 30 June 2016		
Cash flow sensitivity - Variable rate instruments	599	(599)
As at 30 June 2015		
Cash flow sensitivity - Variable rate instruments	1,767	(1,767)

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:

	2016	2015
	(Rupees in '000)	
B.R.R. Guardian Modaraba Term Finance Certificates	629	938
Units of mutual funds	90,478	82,528

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) -----		
30 June 2016			
Available for sale investments			
B.R.R. Guardian Modaraba Term Finance Certificates	-	-	6,291
Units of Mutual Funds	<u>904,781</u>	<u>-</u>	<u>-</u>
30 June 2015			
Available for sale investments			
B.R.R. Guardian Modaraba Term Finance Certificates	-	-	9,384
Units of Mutual Funds	<u>825,276</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 81.61% (2015 : 79.59%) 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 2016 are located in Pakistan.
- 35.4** One customer (PSPC) of the Company accounts for 94.42% (2015: 97.59%) 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 29 July 2016 has proposed a cash dividend in respect of the year ended 30 June 2016 of Rs 7.50 per share (2015: Rs 6.0 per share) and bonus issue of Nil % (2015:Nil). In addition, the directors have also announced appropriation of Rs 186.43 million (2015: 150.37 million) to revenue reserves. These appropriations will be approved in the forthcoming Annual General meeting. The financial statements for the year ended 30 June 2016 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 2016 were 399 (2015: 408) and weighted average number of employees were 404 (2015: 406).
- 38.3** These financial statements were authorised for issue on 29 July 2016 by the Board of Directors of the Company.

Muhammad Misbah Tunio
Chief Executive Officer

Muhammad Ayub
Director



Pattern of Shareholding As At 30 June 2016

Number of Shareholders	No. of Shareholdings		Number of Shares
	From	To	
529	1	100	9598
317	101	500	98049
220	501	1000	178371
431	1001	5000	1091451
115	5001	10000	845537
45	10001	15000	563953
24	15001	20000	420362
14	20001	25000	313789
7	25001	30000	190185
3	30001	35000	98988
6	35001	40000	223686
6	40001	45000	258311
3	45001	50000	139485
1	50001	55000	53501
2	55001	60000	113825
1	60001	65000	64300
3	65001	70000	201773
1	70001	75000	71060
1	85001	90000	85000
4	95001	100000	395274
1	105001	110000	109000
1	115001	120000	117607
1	160001	165000	164220
1	170001	175000	170347
2	235001	240000	479138
1	395001	400000	399367
1	475001	480000	475677
1	525001	530000	526000
1	765001	770000	768703
1	870001	875000	870365
1	925001	930000	928689
1	1345001	1350000	1346415
1	2630001	2635000	2634428
1	4250001	4255000	4254280
1	5020001	5025000	5022384
2	5925001	5930000	11851128
1	23720001	23725000	23721739
1,752			59,255,985



Pattern of Shareholding As At 30 June 2016

Categories of Shareholders	Number	Shares held	Percentage
i. Associated Companies, Undertakings and Related Parties	3	35,572,867	60.03
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
ii. Mutual Funds	1	2,634,428	4.45
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	2,634,428	4.45
iii. Directors and their Spouse(s) and minor children	2	1,787	0.00
SHEIKH MOHAMMAD AIJAZ AKHTAR	2	1,787	0.00
iv. Executives	-	-	-
v. Public Sector Companies and Corporations	3	5,951,296	10.04
STATE LIFE INSURANCE CORPORATION OF PAKISTAN	2	5,022,607	8.48
PAKISTAN REINSURANCE COMPANY LIMITED	1	928,689	1.57
vi. Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	15	6,886,725	11.62
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	100,000	0.17
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
CDC - TRUSTEE PAKISTAN PENSION FUND - EQUITY SUB FUND	1	33	0.00
General Public	1696	6,242,551	10.53
a. Local	1696	6,242,551	10.53
b. Foreign	-	-	-



Pattern of Shareholding As At 30 June 2016

Categories of Shareholders	Number	Shares held	Percentage
Others	32	1,966,331	3.32
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	22,723	0.04
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	5,000	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
DEPUTY ADMINISTRATOR ABANDONED PROPERTIES ORGANIZATION	1	399,367	0.67
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	3,693	0.01
MAPLE LEAF CAPITAL LIMITED	1	1	0.00
MULTILINE SECURITIES (PVT.) LIMITED	1	14,210	0.02
FDM CAPITAL SECURITIES (PVT) LIMITED	1	17,000	0.03
FEDERAL BOARD OF REVENUE	1	46,468	0.08
DJM SECURITIES (PRIVATE) LIMITED	1	1,900	0.00
CLIKTRADE LIMITED	1	1	0.00
MUHAMMAD BASHIR KASMANI SECURITIES (PVT.) LIMITED	1	3,570	0.01
M.R. SECURITIES (SMC-PVT) LIMITED	1	4,200	0.01
NATIONAL INVESTMENT TRUST LIMITED - ADMINISTRATION FUND	1	768,703	1.30
PEARL CAPITAL MANAGEMENT (PRIVATE) LIMITED	1	9	0.00
FIKREE'S (SMC-PVT.) LIMITED	1	5,537	0.01
AYUB CHAUDHRY INVESTMENTS (PVT) LIMITED	1	3,998	0.01
Total	1,752	59,255,985	100.00
vii. Shareholders Holding five percent or more Voting Rights in the Listed Company	6	44,849,754	75.69
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

Sheikh Mohammad Aijaz Akhtar Minority & Independent - Elected

Directors

Ms. Nargis Ghaloo	Minority	- Elected - SLIC
Dr. Abolghassem Jamshidi - Iran	Minority	- Nominee - IDRO
Mrs. Ayla Akin - Turkey	Minority	- Nominee - SHAS
Mr. Jamal Nasim	Minority	- Elected - NIT
Mr. Muhammad Ayub	Minority	- Elected - PPCBL
Mr. Shamsuddin Soomro		- Nominee - PSPC
Mr. Muhammad Wajid Jamil		- Nominee - PSPC
Mr. Rauf Ahmad		- 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

Mr. Muhammad Ayub Non-executive Director	- Chairman
Sheikh Mohammad Aijaz Akhtar Non-executive Director	- Member
Dr. Abolghassem Jamshidi Non-Executive Director	- Member
Mr. Shamsuddin Soomro Non-executive Director	- Member
Mr. Babar Aijaz Sr. Manager (Internal Audit)	- Secretary

BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

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



Security Papers
LIMITED

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

Company Information

BOARD INVESTMENT COMMITTEE

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

- Chairman
- Member
- Member
- Secretary

MANAGEMENT AND STRATEGIC PLAN COMMITTEE

Chairman:

Mr. Muhammad Misbah Tunio

- Chief Executive Officer

Members:

Dr. Muhammad Ashraf Butt
Mr. Rizwan Ul Haq Khan

- Director Operations
- Chief Financial Officer &
Company Secretary
- General Manager (Supply Chain)
- General Manager (Eng, Prod. & Projects)
- General Manager (HR&A)
- D.G.M. (QA/R&D)
- D.G.M. (IMS, IT & Process Systems)
- Sr. Manager (Internal Audit)
- Incharge (Security)

Mr. Faiz-Ul-Islam
Mr. Khalil Ahmed
Qazi Syed Imran Azam
Mr. Saadat Ali
Mr. Muhammad Abdul Qadir Jilani
Mr. Babar Aijaz
Mr. Ibrar Hussain

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

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Fax No: (+9221) 99248286
E-mail: comsec@security-papers.com
Website: <http://www.security-papers.com>

SHARE REGISTRAR

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Fax No: (+9221) 34380106
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Karachi-75100
Tel. No: (+9221) 99248536-37
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Notice of Annual General Meeting

Notice is hereby given that the Fifty-first Annual General Meeting of Security Papers Limited will be held on Friday, the 26 August 2016 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 2016 together with the Reports of the Auditors and the Directors.
2. To approve the payment of cash dividend at the rate of Rs 7.50 per share i.e. 75% for the year ended 30 June 2016 as recommended by the Board of Directors.
3. To appoint Auditors for the year 2016-17 and to fix their remuneration.

B. SPECIAL BUSINESS

4. To consider, and if thought fit, pass the following as a Special Resolution, with or without modification, for the alteration of the Articles of Association of the Company:

"RESOLVED that, subject to obtaining the requisite permissions and clearances, the insertion of the following new Article 56A, appearing after the existing Article 56, in the Articles of Association of the Company be and is hereby approved:

Electronic Voting *56A The Company shall comply with the provisions and requirements prescribed under the applicable laws with respect to the use of electronic voting by its members at general meetings. The same shall be deemed to be incorporated in this Article notwithstanding the other provisions of these Articles of Association including anything contradictory herein. Members may be allowed to appoint members as well as non-members as proxies for purposes of electronic voting to the extent permitted under the applicable laws.*

FURTHER RESOLVED that the Company Secretary be and is hereby authorized to take or cause to be taken any and all actions necessary and incidental for the purposes of altering the Articles of Association of the Company, and make necessary filings and complete legal formalities as may be required to implement the aforesaid resolution."

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


This statement sets out the material facts concerning the special business, given in agenda item No. 4 of the notice, intended to be transacted at the Annual General Meeting of Security Papers Limited to be held on 26 August, 2016.

The directors of the Company have recommended the alteration of the Articles of Association of the Company to the extent of inserting a new Article 56A therein which will give the members the option to be part of the decision making in the general meetings of the Company through electronic means. The same is being carried out in order to facilitate voting through electronic means and to bring about and implement the Securities and Exchange Commission of Pakistan's directive under the Companies (E-Voting) Regulations, 2016, communicated through Notification # SRO 43(I)/2016 dated 22nd January 2016.

The Directors are not interested, directly or indirectly, in the above business except to the extent of their investment as has been detailed in the pattern of shareholding annexed to the Directors' Report.

Karachi,
29 July 2016

By Order of the Board


(Rizwan Ul Haq Khan)
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 18 August to 26 August 2016 (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 August 17, 2016 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. 275(I)/2016 dated 31st March 2016 read with Notification S.R.O. 19(I)/2014 dated 10th January 2014 and 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 2016 effective July 1, 2016, 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 20%

To enable the company to make tax deduction on the amount of cash dividend @ 12.5% instead of 20%, 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 @ 20% 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.



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Punji**








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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 51st ANNUAL
 GENERAL MEETING of the Company to be held on Friday, 26 August 2016 at 11:00 AM and at any adjournment
 thereof.

Signed this _____ day of _____ 2016.

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. _____

**Rs 5/-
 Revenue
 Stamp**

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.



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پروکسی فارم

میں! ہم..... از..... بحیثیت سیکوریٹی پیپرز لمیٹڈ کے ممبر اور عام حصص یافتہ مطابق شیئرز رجسٹر فوئیوا سی ڈی سی اکاؤنٹ نمبر..... مقرر کرتا ہوں..... فوئیوا سی ڈی سی اکاؤنٹ نمبر..... سی این آئی سی نمبر یا پاسپورٹ نمبر..... یا بصورت دیگر..... فوئیوا سی ڈی سی اکاؤنٹ نمبر..... سی این آئی سی نمبر یا پاسپورٹ نمبر..... جو کمپنی کے ممبر بھی ہیں، کو کمپنی کے جمعہ 26 اگست 2016ء کو صبح گیارہ بجے منعقد ہونے والے اکاؤنٹ سالانہ اجلاس میں اپنی جانب سے شرکت اور رائے دی کیلئے اپنا پروکسی۔

2016ء

دستخط مورخہ

گواہی:

1- دستخط

نام

پتہ

سی این آئی سی یا پاسپورٹ نمبر.....

2- دستخط

نام

پتہ

سی این آئی سی یا پاسپورٹ نمبر.....

5/- روپے کا

محصول ٹکٹ

دستخط.....

(دستخط کمپنی کے پاس دستخط کے نمونے کے مطابق ہوں)

سی این آئی سی یا پاسپورٹ نمبر.....

ضروری:

- 1- پروکسی فارم ہذا مکمل اور دستخط کے ہمراہ اجلاس کے انعقاد سے کم از کم اڑتالیس (48) گھنٹے قبل کمپنی کے رجسٹر آفس میں جمع کرادیا جائے۔
- 2- فارم پر نمبر یا اس کا تحریراً مقرر کردہ اثرائتی دستخط کریگا۔ ممبر کارپوریشن ہونے کی صورت میں اس کی مہر فارم پر ثبت کرنی ہوگی۔
- 3- اجلاس میں شرکت اور رائے دی کا اہل ممبر اپنی جانب سے شرکت اور رائے دی کیلئے دوسرے ممبر کو اپنا پروکسی مقرر کر سکتا ہے تاہم کارپوریشن کسی بھی غیر ممبر کو اپنا پروکسی مقرر کر سکتی ہے۔

برائے سی ڈی سی اکاؤنٹ ہولڈرز / کارپوریشن اینٹیٹی

مزید براں مندرجہ ذیل شرائط پر عمل کرنا ہوگا:

- (i) پروکسی فارم پر دو افراد کی گواہی ہونی چاہئے جن کے نام، پتے اور سی این آئی سی یا پاسپورٹ نمبر فارم میں درج ہوں۔
- (ii) ممبر اور پروکسی کے سی این آئی سی یا پاسپورٹ کی تصدیق شدہ کاپیاں پروکسی فارم کے ہمراہ منسلک کرنی ہوگی۔
- (iii) پروکسی کو اجلاس کے وقت اپنا اصل سی این آئی سی یا اصل پاسپورٹ پیش کرنا ہوگا۔
- (iv) کارپوریشن اینٹیٹی کی صورت میں ڈائریکٹرز کی قرارداد / پاور آف اٹارنی معہ نامزد فرد کے دستخط کا نمونہ (اگر پہلے فراہم نہ کئے گئے ہوں) پروکسی فارم کے ہمراہ کمپنی کو پیش کرنے ہوں گے۔



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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