

# Annual Report

# 2017



*Security Papers*  
LIMITED

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



## History of Major Events

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



# Contents



Board of Directors	04
Corporate Award	06
Chairman's Review	07
Directors' Report	13
Criteria to Evaluate Board's Performance	25
Shareholders' Information	26
Vision Statement	30
Mission Statement	32
Core Values	34
Strategic Goals	35
Code of Ethics and Business Practices	36
Statement of Value Addition and its Distribution	37
Key Operating and Financial Data	38
Horizontal Analysis	40
Vertical Analysis	41
Statement of Compliance with the Code of Corporate Governance	42
Review Report to the Members	46
Auditors' Report to the Members	47
Balance Sheet	48
Profit and Loss Account	49
Statement of Comprehensive Income	50
Cash Flow Statement	51
Statement of Changes in Equity	52
Notes to the Financial Statements	53
Pattern of Shareholding	92
Company Information	96
Notice of Annual General Meeting	98
Jama Punji	102
Form of Proxy	



# **Board of Directors**



◀ **Sheikh Mohammad Aijaz Akhtar**  
Chairman



◀ **Muhammad Misbah Tunio**  
Chief Executive Officer



**Muhammad Haroon Rasheed** ▶



◀ **Memet Ozyavuz (Turkey)**



**Dr. Abolghassem Jamshidi (Iran)** ▶



◀ **Muhammad Ayub**



**Jamal Nasim** ▶



◀ **Naveed Kamran Baloch**



**Ali Hussain Brohi** ▶



◀ **Rauf Ahmad**



**Naveed Ehtesham** ▶



## Corporate Awards



Top Companies Award for the year 2014 and 2015



32<sup>nd</sup> Corporate Excellence Awards of MAP



## Chairman's Review

I am pleased to inform you that Financial Year 2016-17 was another year of good performance for Security Papers Limited. In a challenging business environment the Company has attained an all-time record profit after tax of Rs 937.65 Million to pass on the benefit of this achievement to shareholders, the Board has proposed a dividend of Rs 8/- per share for the Financial Year 2016-17 for approval of members at the Annual General Meeting to be held on 25th August 2017.

### Business and Performance Review

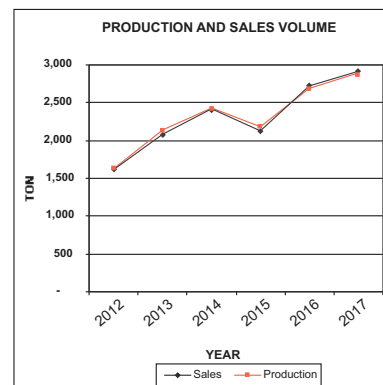
During the financial year 2016-17, Company recorded a significant improvement in business performance through strong operational performance and better financial management. By the grace of Allah, we were successful in providing the highest ever quantity of high quality Bank Note and Other Security Paper to our customers.

The Company has witnessed positive momentum as we have also moved into Machine Readable Passport Paper and Cheque Paper business. The success was driven by a sharp focus on business strategies to achieve continued improvements in productivity and efficiency while optimizing cost and processes to ensure sustained growth of the Company.

The Board closely monitored the performance of the business with a focus to ensure sustained growth of the Company. These efforts have helped the Company improve its profitability and create long-term value for the stakeholders. A combination of cost effectiveness program and cost absorption helped the Company to manage profitability for the business.

### Production

Operating at optimum capacity the Company has achieved the highest ever production of 2,822 tons of saleable Bank Note and Other Security paper as against 2,657 tons produced during the corresponding period last year showing an increase of 165 tons. The cost of production has been controlled and kept at optimum level through effective utilization of resources and by minimizing production wastages. The production processes controlled by instituting additional protocols for immediate corrective and preventive actions have resulted in maximum production output. The Company did not face any major operational problem during the period under review. All technical matters were handled well by a team of professional engineers and technicians.



### Sales

Sales revenue of the Company during the year under review has increased to Rs 2,842 Million showing an improvement of Rs 258 Million over the last year. During the year under review the Company has successfully negotiated sales price increase with its major customer Pakistan Security Printing Corporation (Pvt.) Limited.

During the year under review our core business of Bank Note paper had performed very well. All denominations of Bank Note Paper were sold as per customer's demand. The Company also generated good business from other Security Paper i.e. Non Judicial Paper, Prize Bond, Parchment Paper and Degree paper for Board and Universities.

The Company achieved a sales volume of 2,858 tons as against 2,658 tons during the corresponding period.

### Banknote Paper

Banknote Paper sales grew by 14% during the year under review. The growth is mainly derived from increase in sales volume. Margins remained under pressure due to fluctuation in cotton comber prices, a major constituent of the Banknote Paper. The cost of imported raw materials i.e. security thread and chemicals also increased due to higher price demanded by suppliers. The growth in sales mainly came from higher sales volume as well as price adjustments.





## Chairman's Review

### Other Security Paper

Other Security Papers (OSP) mainly includes Non-Judicial Paper, Prize Bond Paper, Pakistan National Defence Certificates (PNDC), Parchment Paper, Passport Paper, educational Degree and Certificate Papers. Sales of these products declined marginally mainly due to lower demand from our customers. Further, margins remained under pressure owing to rising commodity prices.

### Product diversification

Owing to Company's continued efforts to expand the product base to achieve economy of scales and optimize the production capacity, the Company successfully produced machine readable Passport Paper and delivered it to the customer. We have also accelerated our efforts for the production and marketing of the Cheque Paper. The Company has manufactured and supplied first lot of Cheque Paper to its customer against order.

### Plant Upgrade

With an objective to stay abreast of technological developments and continuously upgrade production facilities to maximize efficiency, the Company pursued an ambitious program of plant upgrade in an attempt to modernize its production facilities in phases. A new Rag Digester and Hemp Breaker had been completed and commissioned last year. In addition, Beater and Breakers assemblies and Stainless Steel Chests were also required to balance the capacity of the Pulp Mill. The installation of stainless steel pulp stock chests would replace the existing concrete chests, new beater and breaker assemblies are also being added to enhance the capacity of Pulp Mill. The manufacturing of the above equipment is under progress in Heavy Mechanical Complex Taxila. The new pulp stock chests would ensure uncontaminated pulp stock to be used in the Paper Machine. The project is 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.

### Business process re-engineering

During the year, the Company has undertaken business process re-engineering to achieve improvements in productivity, cycle times and quality. The business process re-engineering aims at cutting down enterprise costs and process redundancies. During the year we worked out a one-stop solution for all customer queries. The redefined customer-contact process enables the Company to achieve new goals. It has also accelerated the information flow, minimized errors, improved co-ordination and enhanced customer satisfaction.

### Corporate and Financial Reporting

The Company is committed to good corporate governance. The Board acknowledges its responsibility in respect of Corporate and Financial Reporting Framework. The Financial Statements together with notes thereto have been drawn up in conformity with the repealed Companies Ordinance, 1984. International Financial Reporting Standards, wherever applicable, have been followed in the preparation of the Financial Statements. Proper books of accounts have been maintained by the Company and appropriate accounting policies have been consistently applied in the preparation of the Financial Statements.

### Financial Management

The Company continued focus on efficient and effective management of funds to accomplish objectives of the organization and add value for the stakeholders. During the year we maintained optimal level of inventory and trade receivables. Operational and financial efficiencies and cost reduction and control across the organization helped generate positive cash flows. Capital expenditure was managed carefully through a rigorous evaluation of profitability and risks and regular project review for delivery on time and at budgeted costs. The Company holds a diversified investment portfolio, comprising of investments in high yielding Pakistan Investments Bonds; Islamic Equity and Equity related Mutual Funds and Bank Deposits.



## Chairman's Review

### Internal Audit

During the year, internal audit carried out an independent appraisal activity within the Company to examine and evaluate its activities. Internal Audit's scope covers financial as well as operational aspects and is an effective tool to monitor compliance with management policies. A team of professionals has been employed by the Company to perform the internal auditing activity. To this end, internal audit provided the Management with analysis, appraisals, recommendations, advice and information concerning the activities reviewed. Internal Audit reviews were risk-based and impartial.

The broad targets of these reviews are operational efficiency, safeguard of profitability and Company's interests and establishment and observance of internal controls.

### Safety and Security

The Company has strategic nature of operations as its products are of the highest national importance. Therefore, the security and safety of production facilities and human capital is of prime concern. In view of the security threats prevailing in the country security personnel are well equipped to monitor, identify and overcome any kind of subversive activities. Our security systems include CCTV System, Fire Alarm System, Access Control System, Security Lighting System, Road Blockers, Walk through Gate and Under Vehicle Surveillance System to cater to the security requirements of the Company. Safety and security committee ensured 365 'Accident Free Days' in the Company through fostering a culture of Health and safety behavior.

### Energy Conservation

The Company has adopted energy saving systems and cleaner production techniques through regular monitoring and best practices. The Company has been able to achieve overall improvement in its energy consumption. The Company has a self co-generation power plant and is aware of the country's need for energy conservation. Areas having energy saving possibilities are identified and analyzed for initiating energy saving projects. Employees are encouraged to switch off lighting, computer systems, electronic equipments and air-conditioners when not in use. Also heat insulation is provided in steam line and tanks to avoid heat losses. All electrical equipments are properly maintained to save the energy.

### Human Resource and Administration

The Company continues focus on development of human capital inventory. It has a broad and interactive approach towards its employees. Human resource policies are designed to ensure best practices to attract, recruit, develop and retain the 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 an automated Merit based Performance Management System has been implemented to set business goals and track progress. A state of the art Daycare facility has been established for female staff. Learning is a continuous process, the Company took several initiatives to identify employees' training needs and arrange various training programs covering soft and technical skills. The Company encourages its employees to take professional memberships in business, professional and technical institutions.

### Business Ethics and Anti-Corruption Measures

The Company has a comprehensive Code of Ethics and Business Practices which summarize the values, principles and business practices that guide the business conduct of the Company. The Code requires all employees to maintain a work environment that fosters fairness, respect and integrity and conduct themselves in a lawful, honest and ethical manner so as to avoid a conflict of interest. The code also requires employees of the Company not to solicit any third party for any gift, gratuity, entertainment or any other item regardless of its value. Employees are responsible for maintaining the confidentiality of information entrusted to them as a result of their roles with the Company, except when disclosure is authorized or legally mandated. Each Person endeavors to deal fairly with the Company's customers, suppliers, and not to take unfair advantage of anyone through manipulation, concealment, abuse of privileged information or misrepresentation of material facts.



## Chairman's Review

### Information Systems

The Information Technology provided requisite leverage to the Company to boost its performance and meet its long-term objectives by focusing on effective and rapid communication and developing information policies and procedures. Information systems are Oracle based and managed by a professionally staffed team. During the year under review, the Company took various steps to improve Information Technology (IT) infrastructure with a view to increase operational efficiency and to 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 which focused on formulation of Company's strategy and established the financial and operating targets for the next Financial Year. The Company carries out a detailed financial plan which incorporates the business strategy on annual basis. Progress against the plan was reviewed regularly.

### Business Continuity / Disaster Recovery Plan

The Company undertakes keen interest in business continuity and disaster recovery processes to prepare for disruptive events and manage unforeseen risks to continued operations. In order to ensure appropriate measures to safeguard against loss of revenue resulting from stoppage of operations both operational and executive management collaborate closely and have the following measures in place to ensure business continuity in case of any disruptive events:

- Comprehensive and state of the art Security System which monitors activity within and without the factory premises.
- Comprehensive fire prevention system
- Backups of the Management Information System (MIS)
- Adequate insurance coverage
- Succession planning to ensure continued efficient and effective operations

### Strategic Risks

The Company is the sole supplier of high quality banknote paper in the country. The sales volume and capacity utilization are largely dependent on the demand for currency notes in the country. The Company is dependent on availability of high quality cotton comber, security thread and imported chemicals. Water is one of the main raw materials and its continued supply is vital for operations.

The Company is constantly looking for new opportunities to expand its product base. Our unique strength is manufacturing of high quality paper with foolproof security features. The Company is leveraging this expertise to offer a variety of products to various organizations. The Company is well poised to face these challenges through various measures including planning and controlling costs, operational analysis, expanding product base and prudent financial management.

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

The Company is a noteworthy contributor to the national economy and has contributed Rs 597.53 Million to the national exchequer on account of sales tax, income tax and import duties as compared to Rs 556.86 Million during the corresponding period. In addition, the Company has also made foreign exchange savings of US\$ 26.87 Million (approx.) through import substitution during the year as compared to US\$ 24.68 Million in the corresponding period.



## Chairman's Review

### 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.	Patient Aid Foundation, JPMC	300,000
2.	Sindh Institute of Urology & Transplantation (SIUT) Karachi	500,000
3.	Abdul Sattar Edhi Foundation	250,000
4.	Chhipa Welfare Association	250,000
5.	Kiran Foundation	200,000
6.	SOS Children's Villages of Sindh	200,000
7.	Akhawat - NGO	1,000,000
8.	Friends of Burns Centre	200,000
9.	Equipment at Kidney Centre	2,280,000
10.	Internship Program	219,468
11.	Ration for Thar Affectees	897,805
<b>Total</b>		<b>6,297,273</b>

### Corporate Excellence Award

Security Papers Limited has won the MAP's 32nd Corporate Excellence Award conferred by the Management Association of Pakistan (MAP), Karachi. The Corporate Excellence Awards are conferred by the MAP with an objective to recognize the listed companies which excel in corporate and management practices.

The Company holds 24th to 29th Awards (six times running) of the MAP. This is the eighth time the Company has been recognized in this category since the award's inception in 1982.

The Company holds 24th to 29th and 31st to 32nd Awards of the Management Association of Pakistan (MAP).

The award manifests Company's commitment to quality, maintenance of the highest professional standards and constant strive to achieve excellence in all spheres of its activity. This award is considered the most prestigious achievement in the corporate sector. The quality of management practices of the companies in different areas like corporate governance, strategic planning, information technology, social responsibility, planning human resources, production management, research and development are appraised by the MAP.

### 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 2009 to 2015.

The award is conferred by PSX on the basis of criteria which include Dividend Payout, Profitability, Free-Float of Shares, Turnover of Shares, Corporate Social Responsibility, Transparency and Investors Relation and compliance with Listing Regulations etc.



## Chairman's Review

### Forward Looking Information

Going forward, the Company remains strongly focused on innovations and opportunities in a challenging macroeconomic, political, and social environment to improve productivity and enhance shareholders' value. In today's competitive landscape, the Company is continuously gearing up its business to meet the challenges that lie ahead.

The Company has delivered another very good overall performance this Financial Year and the directors remain confident 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 take this opportunity to acknowledge the contribution and commitments made by the Management, staff members and workers in achieving the Company's objectives. I am also thankful to the Board of Directors, Shareholders, Customers, Bankers and other Stakeholders for their support that will undoubtedly bring continual improvement and success for the Company.

A handwritten signature in black ink, appearing to read "Ajaz Akhtar", written over a horizontal line.

**SHEIKH MOHAMMAD AIJAZ AKHTAR**  
Chairman

Karachi  
Dated: 28th July 2017



## 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 2017.

### Financial Results

The operating results of the Company for the year ended 30 June 2017 are summarized as follows:

	2017 (Rupees in '000)	2016
Profit before taxation	<b>1,304,126</b>	913,418
Taxation		
Current - for the year	<b>400,655</b>	302,298
Current - for prior year	<b>(1,649)</b>	(4,186)
	<b>399,006</b>	298,112
Deferred	<b>(32,533)</b>	(15,565)
	<b>366,473</b>	282,547
Profit after taxation	<b>937,653</b>	630,871

### Subsequent Appropriations

The Directors have recommended cash dividend of Rs 8.00 per share, i.e. 80% (2016: Rs 7.50 per share, i.e. 75%), and appropriation of Rs 463.60 Million (2016: Rs 186.43 Million) to revenue reserves.

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

### Earnings per share

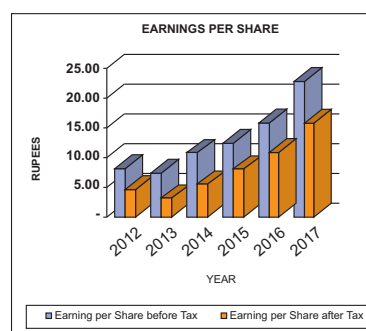
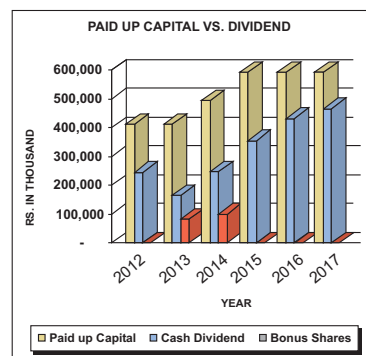
The earnings per share (EPS) - before and after taxation is Rs 22.00 and Rs 15.82 (2016: Rs 15.41 and Rs 10.65) respectively.

### Operating Results

The sales growth was recorded at 10% showing an increase of Rs 258 Million from Rs 2,584 Million in previous year to Rs 2,842 Million this year. The increase in sales was mainly driven by higher sales volume and increase in selling prices of Banknote and Other Security Paper.

The Company earned gross profit of Rs 1,088.41 Million during the year under review as compared to Rs 876.62 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 sale price increase obtained from our major customer Pakistan Security Printing Corporation (Private) Limited.

Other operating income increased by Rs 220.18 Million during the current year as compared to the previous year mainly due to investments in high yielding long term Pakistan Investments Bonds and higher capital gains realized on investments in Islamic Equity and Equity related Mutual Funds.





## Directors' Report

The profit after tax of Rs 937.65 Million has been earned for the year under review as compared to Rs 630.87 Million during the previous year. The increase in Company's profitability during the year under review was driven by improved sales volume, operational efficiencies and better returns earned from investments of surplus funds.

### Market and book value per share

The book value per share stood at Rs 77.63 as against Rs 71.71 in the previous year. Before and after tax return on equity worked out to be 28.35% and 20.38% as compared to 21.49% and 14.85% in the corresponding period respectively.

The average market price during the year remained at Rs 131.93 (2016: Rs 90.50) per share. The market price as of 30 June 2017 was Rs 145.95 (2016: Rs 105.59).

### Cash Flow Management

During the year under review an amount of Rs 658.68 Million was generated from the operating activities of the Company and Rs 535.74 Million received on account of mark up, dividend and capital gain on investments. The Company made an investment of Rs 320.03 Million in Islamic Mutual Funds. The Company had paid an amount of Rs 40.04 Million on account of repayment of long term loan and Rs 404.21 Million had been paid as dividend to the shareholders.

### Long term debt equity and current ratios

The long term debt-equity and the current ratios of the Company as at June 30, 2017 worked out to 0.00:1 and 3.87:1 (2016: 0.004:1 and 3.78:1) 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.

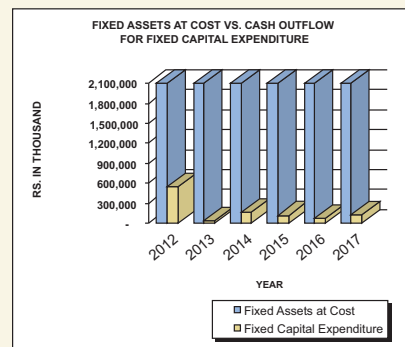
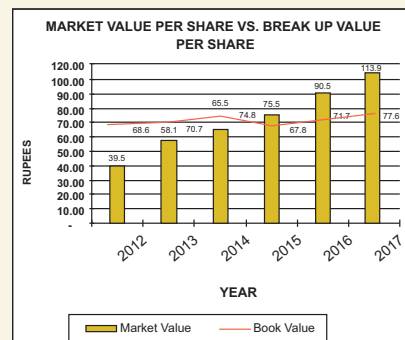
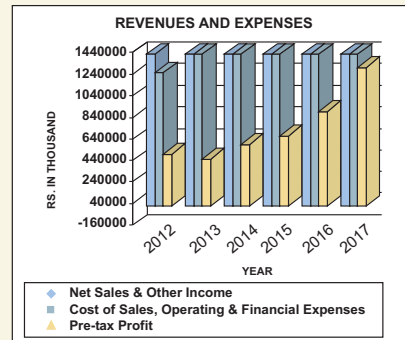
### Material changes and commitments

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.

### Risks and Challenges

The revenue of the Company is largely dependent on the country's demand for Banknotes. The manufacturing of Bank Note and Other Security Paper will continue to be competitive owing to pricing fluctuations for our raw materials, foreign currency fluctuations and market forces which may squeeze margins and affect the Company's profitability.

The Company is making all out efforts to improve the capacity utilization of its existing operations. The Management is also laying lot of emphasis on internal efficiencies by improving quality and making determined efforts to reduce the cost of doing the business. The Company is well poised to face these challenges through various measures including planning and controlling costs, operational analysis, expanding product base and prudent financial management.





## Directors' Report

### The Integrated Management System

The Company is continually demonstrating and improving status of strong commitment to sustainability. An internationally recognized Integrated Management System (IMS) for Occupational Health and Safety, Environment and Quality has been fully documented, maintained and enforced. The current IMS comprises the following management system.

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

We make objective and time based efforts for reducing and eliminating unsafe and unhealthy work practices / conditions. A comprehensive documented system with appropriate standard operating procedures / manuals and specifications have been established to ensure health, safety and security at work place.

A detailed Occupational Health and Safety "Hazards Identification, Risk Assessment and Controls" (HIRAC) have been performed for normal, abnormal and emergency situations within the organization. Personal Protective Equipment have been provided to employees to sustain and improve the accident free workplace environment.

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

We have been maintaining and improving environmental programs in a comprehensive, systematic, planned and documented manner. It includes the organizational structure, planning and resources for developing, implementing and maintaining policy for environmental protection setting goals to compliance with regulatory standards such as National Environment and Quality Standard (NEQS) and Environment Protection Agency (EPA) Standards, etc.

A detailed environmental aspect impact analysis has been carried out to manage environmental risks associated with routine and non routine operational activities including emergency response.

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

Periodic internal as well as external audit for verification and compliance has been regularly carried out for continual improvement by independent International certification body SGS. As a responsible corporate organization, management is committed to keep SPL a 'Green Company'.

The current Environment Management System (ISO 14001:2004) is being upgraded to comply new version of ISO 14001:2015.

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

A documented Quality Management System (QMS) based on International Quality Management System (ISO 9001:2008) has been established and maintained to determine processes needed for their application throughout the organization, and continually improve its effectiveness to meet customer satisfaction.







## Directors' Report

Compliance of raw materials, processes and final products standard specifications, procedures and none conformances have been ensured through regular in-process inspections.

Customers' feedback survey has been conducted regularly for long lasting relationship with customers and suppliers to prevent complaints.

Periodic Internal and external surveillance audits for compliance have been conducted and reported to top management for review at regular intervals.

The current QMS (ISO 9001:2008) is being upgraded to comply with new version of ISO 9001:2015 by Dec 2017.

### Corporate Social Responsibility (CSR)

The Company believes that every business entity needs to contribute to the well being of its surrounding communities for a better and prospering nation. The successful and sustainable business requires fulfilling our social responsibilities and to be more responsive, more flexible and more open to the society's expectations. Our Company participated actively towards the welfare of society at large and donations were made to non government / non-profit organizations and to the deceased employees' families as detailed below:

- Donation to Friends of Burns Centre for providing burns care facilities to burns victims
- Flood relief activities through M/s. Hussaini Foundation and Army relief cell in the form of food cartons, tents, pillows, quilts and duvet beddings
- Deceased employees' families

### Forward Looking Information

The Company remains strongly focused on opportunities in challenging macroeconomic, political, and social environment and manage its margins and cost efficiency. In today's competitive landscape, the Company is continuously gearing up its business to meet the challenges that lie ahead.

The directors are hopeful that with continued and concerted efforts of the Management, the Company would continue to improve sustainable profitability of the business by higher efficiency and increased customer focus, which can further enhance shareholders' value in the long-run.

### Internal Control

The Company has employed an effective system of internal control to carry on the business of the Company in an orderly manner, safeguard its assets and secure the accuracy and reliability of its records. The Management supervision and reviews are an essential element of the system of internal controls. The Management has delegated the function of detailed examination and special reviews to the team of internal auditors.

The Board reviews the Company's financial operations and position at regular intervals by means of interim accounts, reports, profit forecasts and other financial and statistical information. Analysis of budgetary control is in use and the Board reviews material variances and calls for explanations.

### Financial Statements

The auditors of the Company, M/s. EY Ford Rhodes, Chartered Accountants, audited the Financial Statements of the Company and have issued an unqualified report to the members.

### Auditors

The auditors, EY Ford Rhodes, Chartered Accountants, retire at the conclusion of the Annual General Meeting. Being eligible, they have offered themselves for re-appointment.



## Directors' Report

As suggested by the Audit Committee, the Board recommended the appointment of EY Ford Rhodes, Chartered Accountants as auditors of the Company for the year 2017-18.

### Board and Committee Changes

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

Mr. Shoaib Mir, Non-Executive Director joined the Board in place of Ms. Nargis Ghaloo and Mr. Naveed Kamran Baloch, Director joined the Board as nominee of State Life Insurance Corporation of Pakistan in place of Mr. Shoaib Mir.

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

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

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

### Compliance with the Code of Corporate Governance

The "Statement of Compliance with the Code of Corporate Governance" (CCG) is annexed (page 42).

### 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 is sound in design and has been effectively implemented and monitored: and
- f. There are 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 is annexed (page 38).
- h. Outstanding taxes and levies have 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 389.670 Million (ii) Gratuity Fund Rs 309.968 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		Projects Strategic	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Sheikh Mohammad Aijaz Akhtar	6	5	7	7						
Mr. Muhammad Misbah Tunio (Chief Executive Officer)	6	6			7	7	8	8	3	3
Dr. Abolghassem Jamshidi	6	5	7	6					3	2
Mr. Memet Ozyavuz - (Turkey)	2	0								
Mr. Jamal Nasim	6	6			7	7	8	8		
Mr. Muhammad Ayub	6	6	7	7			8	8		
Mr. Naveed Kamran Baloch	1	1			1	0				
Mr. Shamsuddin Soomro	6	6	7	7					3	3
Mr. Rauf Ahmad	6	6	5	5						
Mr. Naveed Ehtesham	5	5					6	6		
<b>Outgoing Directors</b>										
Ms. Nargis Ghaloo	2	1			2	2			1	
Mr. Muhammad Wajid Jamil	1	1								
Mrs. Ayla Akin (Turkey)	4	0								
Mr. Shoaib Mir	3	3			4	4			2	2

- k. Five directors of the Company have already completed Directors' Training Program (DTP). In addition one director met the criteria of exemption under Code of Corporate Governance. Further, DTP for the remaining directors would be completed as per requirements of Code of Corporate Governance.
- l. The pattern of shareholding is annexed (page 92).
- 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.

### Chairman's Review

The Board of Directors endorse the contents of the Chairman's Review annexed (page 07).

On behalf of the Board of Directors

**MUHAMMAD MISBAH TUNIO**  
Chief Executive Officer

Karachi  
Dated: 28th July 2017



## ڈائریکٹرز رپورٹ

کمپنی کے ڈائریکٹرز سال 30 جون 2017 کے اختتام پر آڈٹ شدہ مالی گوشواروں مع سالانہ رپورٹ پیش کرنے پر خوشی محسوس کر رہے ہیں۔

### مالیاتی نتائج

سال 30 جون 2017 کے اختتام تک کمپنی کے کاموں کے نتائج درج ذیل خلاصے کے ساتھ بیان کیئے گئے ہیں:

(روپے 000 میں)

2016	2017	
913,418	1,304,126	محصول سے قبل منافع
		محصول
302,298	400,655	کرنٹ - برائے سال
(4,186)	(1,649)	کرنٹ - برائے گزشتہ سال
298,112	399,006	
(15,565)	(32,533)	موخر محصول
282,547	366,473	
630,871	937,653	محصول کے بعد منافع

### دیگر تجاویز/منظوریاں

ڈائریکٹرز نے 8.00 روپے فی حصص - یعنی 80 فیصد (2016: 7.50 روپے فی شیئر یعنی 75 فیصد) نقد منافع منقسمہ اور یونیوزیز ریزرو میں سے 463.60 ملین روپے (2016: نقد منافع منقسمہ اور یونیوزیز ریزرو میں سے 186.43 ملین روپے) تصرف کی سفارش کی ہے۔ یہ تصرفات کمپنیز آرڈیننس مجریہ 1984ء کے نظر ثانی شدہ چوتھے شیڈول کی تعمیل میں مالی گوشواروں میں ظاہر ہوں گے۔

### آمدنی فی حصص

آمدنی فی حصص بعد از اس اور قبل بالترتیب 22.00 روپے اور 15.82 روپے (2016: 15.41 روپے اور 10.65 روپے) ہے۔

### کام کے نتائج

سیلز میں 10% کا اضافی دیکھا گیا ہے گزشتہ سال یہ 2,584 ملین روپے تھی اس سال یہ 2,842 ملین روپے ہے۔ سیلز میں یہ اضافہ بینک نوٹس اور دیگر سیکورٹی پیپر کی فروخت کی قیمت میں اضافے کے سبب ہوا ہے۔



گذشتہ سال کمپنی نے 876.62 ملین کا کل منافع کمایا تھا مگر اس سال کے دوران کمپنی نے 1,088.41 ملین کا منافع کمایا ہے۔ گزشتہ سال کی نسبت اس کے بڑھنے کی وجہ فروخت کا حجم بڑھانے، کارکردگی اور فروخت کی قیمت میں اضافے۔ یہ اضافہ پاکستان سیکورٹی پرنٹنگ کارپوریشن (پرائیویٹ) لمیٹڈ جیسے کلائنٹ سے حاصل ہوا ہے۔ گزشتہ سال کی نسبت آپریٹنگ روائ سال آپریٹنگ آمدنی 220.18 روپے تک بڑھ گئی ہے جس کی وجہ پاکستان انویسٹمنٹ بونڈز، اسلاک ایکویٹی اور ایکویٹی سے متعلق مچھول فنڈز میں سرمایہ کاری کرنا ہے۔

اس سال محصول کے بعد 937.65 ملین روپے منافع کمایا گیا ہے۔ پچھلے سال یہ 630.87 ملین روپے تھا۔ کمپنی کا اس سال زیادہ منافع حاصل کرنے کی وجہ سرپلس فنڈز کی سرمایہ کاری سے اچھے ریٹرن حاصل ہونے، اعلیٰ کارکردگی دکھانے اور سٹاک کا حجم بڑھانا ہے۔

## مارکیٹ اور بک ویلیو فی حصص

اس سال فی حصص بک ویلیو 77.63 روپے رہی پچھلے سال یہ 71.71 روپے تھی۔ ٹیکس ریٹرن سے پہلے اور بعد میں ایکویٹی 28.35% اور 20.38% تھی جو کہ پہلے بالترتیب 21.49% اور 14.85% رہی۔ اس سال کے دوران فی حصص اوسط مارکیٹ قیمت 131.93 روپے رہی (جبکہ 2016: میں یہ 90.50 روپے فی حصص تھی)۔ 30 جون 2017 تک یہ 145.95 روپے تھی (2016: میں اسی وقت یہ 105.59 روپے تھی)۔

## کیش فلو مینجمنٹ

جائزہ لیا جانے والے سال کے دوران کمپنی کی آپریشن کارروائیوں سے 658.68 ملین روپے حاصل ہوئے اور مارک اپ، منافع منقسمہ اور سرمایہ کاری کی مد میں 535.74 ملین روپے حاصل ہوئے۔ کمپنی نے اسلاک مچھول فنڈز میں 320.03 ملین روپے کی سرمایہ کاری کی۔ کمپنی نے 40.04 ملین روپے طویل المدت قرضوں کی مد میں ادا کئے اور 404.21 ملین روپے حصص یافتگان کو منافع منقسمہ کی صورت میں ادا کرنے پڑے۔

## حالیہ تناسب طویل المدت ڈیبٹ ایکویٹی

30 جون 2017 تک کمپنی کا طویل المدت ڈیبٹ ایکویٹی اور حالیہ تناسب بالترتیب 1:0.00 اور 1:3.87 تھا (جو کہ 2016: میں 1:0.004 اور 1:3.78) تھا۔ ڈیبٹ ایکویٹی تناسب میں بہتری طویل المدت قرضے کی ادائیگی کی وجہ سے ہوئی جبکہ حالیہ تناسب حالیہ اثاثے اور طویل المدت قرضے کا حالیہ پورشن ادا کرنے سے بہتر ہوا۔

## تبدیلیاں اور عہد

کمپنی کی مالیاتی حیثیت کو کسی بھی شے یا عہد نے مالیاتی سال کے اختتام تک تبدیل نہیں کیا۔ نہ ہی ہیلنس شیٹس سے متعلق اور رپورٹ کی تاریخ تک کوئی تبدیلی واقع ہوئی۔

## رسک اور چیلنجز

کمپنی کے آمدنی کا دار و مدار ملک میں بینک نوٹوں کی طلب پر رہا۔ بینک نوٹس اور دیگر سیکورٹی پیپرز کی مینوفیکچرنگ اور قیمتوں کے تعین پر خام مال، غیر ملکی کرنسی کے اتار چڑھاؤ اور دیگر مارکیٹ کی قوتوں کے سبب فرق پڑا جس کے باعث کمپنی کے منافع پر بھی اثرات ظاہر ہوئے۔



کمپنی اپنی تمام تر صلاحیتوں کو بروئے کار لاتے ہوئے اپنے موجودہ آپریشنز کی بہتری کے لئے کوشاں ہے۔ مینجمنٹ کی تمام تر توجہ کوالٹی کو بڑھانے اور کاروبار کی لاگت کو کم کرنے پر ہے تاکہ اندرونی کارکردگی بڑھائی جاسکے۔ کمپنی نے ان تمام چیلنجوں کو پلاننگ، لاگت پر کنٹرول، آپریشنل تجربات، پروڈکٹس کو بڑھا کر قابل عمل مالیاتی مینجمنٹ کے ذریعے پورا کیا جا رہا ہے۔

## انٹیکریٹڈ مینجمنٹ سسٹم

کمپنی مسلسل اچھی کارکردگی کا مظاہرہ کر رہی ہے اور مضبوط عزم کا مظاہرہ کرتے ہوئے اپنی حیثیت کو بہتر بنا رہی ہے۔ پیشہ ورانہ صحت مندانہ اور محفوظ ماحول کیلئے انٹیکریٹڈ مینجمنٹ سسٹم (آئی ایم ایس) کی دستاویزات کی تکمیل کر کے اسے نافذ کر دیا کر رہی ہے۔ موجودہ آئی ایم ایس درج ذیل مینجمنٹ سسٹم پر مشتمل ہے۔

### Occupational Health and Safety Mangement Series (OHSAS 18001:2007)

ہم غیر محفوظ اور صحت مندانہ کام کے طریقہء کار/ حالات کو بہتر بنانے کیلئے بروقت اور با مقصد حکمت عملیاں بنائی ہیں۔ ہم نے کام کی جگہ پر ایک محفوظ و صحت مند جامع دستاویزات شدہ سسٹم جس میں معیاری طریقہء کار/ میتھوز اور تصریحات موجود ہیں کے نفاذ کو یقینی بنایا ہے۔ ایک تفصیلی پیشہ ورانہ صحت مندانہ اور محفوظ ماحول کیلئے ادارے میں ”مشکلات کی نشاندہی، رسک اسسمنٹ اور کنٹرول“ رسی اور غیر رسمی حالات میں پر فارم ہونی چاہیے۔ کام کی جگہ پر حادثات سے بچاؤ کیلئے ملازمین کو ذاتی طور پر بچاؤ کے آلات فراہم کرنا لازم ہیں۔

### انوائزمنٹ مینجمنٹ سسٹم (ISO 14001:2004)

ہم ماحولیات کی بہتری کیلئے ایک پلان شدہ، دستاویزی اور جامع نظام پر کاربند ہیں۔ جس میں ہمارا تنظیمی ڈھانچہ نیشنل انوائزمنٹ اینڈ کوالٹی اسٹینڈرڈ (NEQS) اور انوائزمنٹ پروفیکشن ایجنسی (EPA) اسٹینڈرڈز وغیرہ کے ماحولیات کے تحفظ کے اہداف کے حصول کے مطابق سے کام کر رہا ہے۔ ہم فٹنلے کو بہت احتیاط کے ساتھ ضائع کرتے ہیں اور قدرتی وسائل (بجلی، پانی، گیس، فیول وغیرہ) کو موثر انداز سے استعمال کرتے ہوئے زندگی کا معیار بڑھانے کیلئے ماحول کو بچانے کی عالمی پریکٹس کا استعمال کرتے ہیں تاکہ ماحولیات کو توازن قائم کرتے ہوئے گرین ہاؤس ایفیکٹ اور دیگر سماجی اور صحت کے مسائل کو کم کیا جاسکے۔ بین الاقوامی سرٹیفیکیشن باڈی SGS کی جانب سے ہمارا اندرونی اور بیرونی آڈٹ و ریٹیفیکیشن کیلئے باقاعدگی سے کیا جاتا ہے تاکہ ہم اپنی کارکردگی کو بہتر سے بہتر بنا سکیں۔ ہم ایک ذمہ دار ادارہ ہیں اس لئے ہماری مینجمنٹ ایس پی ایل کو ایک گرین کمپنی بنانے کیلئے پر عزم ہے۔ حالیہ انوائزمنٹ مینجمنٹ سسٹم (ISO 14401:2004) کو نئے ورژن ISO 14001:2005 سے اپ گریڈ کیا گیا ہے۔

### کوالٹی مینجمنٹ سسٹم (ISO 9001:2008)

ہم نئے دستاویز شدہ کوالٹی مینجمنٹ سسٹم (QMS) کو اپنی مینجمنٹ سسٹم (ISO 9001:2008) کے بنیاد پر ترتیب دیا ہے اور اس کا اطلاق کرتے ہوئے ادارے کی کارکردگی میں اضافہ کیا جا رہا ہے تاکہ صارفین کے اطمینان کو مزید بڑھایا جاسکے۔ خام مال، فائنل پروڈکٹ کا معیار، کام کے طریقہء کار وغیرہ کو ریگولر انسپیکشن سے جانچا جاتا ہے۔ کسی بھی تشریح کیلئے اپنی سروسز کو بہتر بنانے کی غرض سے باقاعدگی کے ساتھ صارفین کا فیڈ بیک حاصل کرنے کیلئے سروسز منعقد کروایا جاتا ہے۔ اندرونی اور بیرونی نگرانی کیلئے سروسز بلائنس آڈٹ منعقد کیا جاتا ہے جس کی رپورٹ اعلیٰ مینجمنٹ کو کی جاتی ہے تاکہ وہ کارکردگی کا جائزہ لے سکیں۔



موجودہ (2008: ISO 9001) QMS کو دسمبر 2017 تک 2015: ISO 9001 کے ورژن کے مطابق اپ گریڈ کر دیا جائے گا۔

## کارپوریٹ سماجی ذمہ داری (CSR)

کمپنی کا ماننا ہے کہ ہر کاروبار یا ادارے کو کسی بھی قوم کو خوشحال بنانے کیلئے اس میں بسنے والے گروہوں کی بہتری کیلئے کام کرنا چاہیے۔ کامیاب اور مضبوط کاروبار کیلئے زیادہ سے زیادہ سماجی خدمات سرانجام دینا چاہیے ایک اچھے کاروبار میں پک ہونے کے ساتھ اسے معاشرے کی توقعات پر بھی پورا اترنا چاہیے۔ ہماری کمپنی معاشرے کی بہتری کیلئے گورنمنٹ/نان گورنمنٹ تنظیموں اور مرحوم ملازمین کے خاندانوں کیلئے عطیات فراہم کرتی ہے جس کی تفصیلات درج ذیل ہیں:

- ☆ برز سینٹر کے دوستوں کو جلنے والے متاثرین کی مدد کرنے کیلئے امداد کی فراہمی
- ☆ میسرز حسینی فاؤنڈیشن کے ذریعے سیلاب متاثرین کی مدد اور آرمی ریلیف سیل کے ذریعے لکھانے کے کارٹن، ٹینٹ، تکیوں اور بستروں کی فراہمی۔
- ☆ مرحوم ملازمین کے خاندانوں کی مدد

## دیگر معلومات

کمپنی اپنے مارجن اور لاگت کی پائیداری کیلئے اس سخت میکرو اکنامک، سیاسی اور سماجی مسابقتی ماحول میں تمام تر مواقعوں پر اپنی توجہ مرکوز رکھتی ہے، آج کل کے مسابقتی ماحول میں کمپنی تمام آنے والے چیلنجوں کا مقابلہ کر رہی ہے۔ ڈائریکٹرز کو امید ہے کہ مینجمنٹ کی مشترکہ کوششوں سے کمپنی اپنے منافع میں اضافہ کرے گی اور اپنے کاروبار کو صارفین کی طلب کے مطابق بڑھاتے ہوئے آگے چل کر حصص یافتگان کی تعداد بڑھائے گی۔

## اندرونی کنٹرول

کمپنی نے اپنے اثاثہ جات کو محفوظ بنانے اور اپنے ریکارڈز کی پائیداری اور تحفظ کے غرض سے ایک موثر اندرونی کنٹرول کا نظام بنایا ہے۔ مینجمنٹ کی زیر نگرانی انٹرنل آڈیٹرز کی ٹیم تفصیلی جانچ پرکھ اور خصوصی جائزے کیلئے کام کرتی رہتی ہے۔ بورڈ کمپنی کے مالیاتی آپریشنز اور حیثیت کا جائزہ انٹرنیم اکاؤنٹس، رپورٹس، پرافٹ فورکاسٹ اور دیگر مالیاتی و شماراتی معلومات سے لیتا رہتا ہے۔ بجٹ کنٹرول کرنے اور ان تمام معاملات کیلئے بورڈ اکثر تفصیلات طلب کرتا ہے۔

## مالیاتی گوشوارے

کمپنی کے آڈیٹرز، میسرز ای وائی فورڈ روڈز، چارٹرڈ اکاؤنٹنٹس کمپنی کے مالیاتی گوشوارے آڈٹ کرتے ہیں اور انھوں نے غیر کو ایفائیٹیڈ رپورٹ ممبران کو جاری کی ہے۔

## آڈیٹرز

ای وائی فورڈ روڈز کے آڈیٹرز، چارٹرڈ اکاؤنٹنٹس کمپنی کے سالانہ اجلاس عام میں ریٹائر ہو گئے۔ قابل ہونے کے باعث انھوں نے اپنے آپ کو دوبارہ تقرری کئے جانے کیلئے پیش کیا۔



آڈٹ کمیٹی کی سفارش پر ای وائی فور ڈی روڈز، چارٹرڈ اکاؤنٹنٹس کو بطور آڈیٹرز کمپنی کیلئے 18-2017 میں تعینات کرنے کی سفارش کی ہے۔

## بورڈ اور کمیٹی میں تبدیلی

درج ذیل سال کی سالانہ رپورٹ کے مقابلے میں درج ذیل تبدیلیاں کی گئیں ہیں۔  
محترمہ نرگس گھالو کی جگہ جناب شعیب میر نے بورڈ کو نان ایگزیکٹو ڈائریکٹر کے طور پر جوائن کیا اور اسٹیٹ لائف انشورنس کارپوریشن آف پاکستان کی جانب سے نامزد کردہ ڈائریکٹر شعیب میر کی جگہ جناب نوید کامران بلوچ نے بورڈ میں شمولیت اختیار کی ہے۔  
جناب محمد واجد جمیل کی جگہ پاکستان سکیورٹی پرنٹنگ کارپوریشن (پرائیویٹ) لمیٹڈ کے نامزد کردہ نان ایگزیکٹو ڈائریکٹر کی جگہ جناب نوید احتشام نے لی ہے۔  
کمپنی کے بورڈ آف ڈائریکٹرز میں ان تبدیلیوں کے باعث متعدد بورڈ کمیٹیوں میں بھی ضروری تبدیلیاں کی گئیں ہیں۔ بورڈ نے نئے آنے والے ممبران کی حوصلہ افزائی کی اور بورڈ آف ڈائریکٹرز اور کمیٹیوں کے جانے والے تمام ممبران کی خدمات کو سراہا۔

## کارپوریٹ گورننس سے مطابقت کے تحت

”کارپوریٹ گورننس سے مطابقت کے کوڈ کے اسٹیٹمنٹ“ (CCG) صفحہ نمبر 42 پر موجود ہے۔

## کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کا اسٹیٹمنٹ

- کمپنی کی اسٹیٹمنٹ کی طرف سے تیار کردہ مالی گوشوارے، میں اس کے واضح امور معاملات، کاموں کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی ایمانداری کے موجود ہے۔
- کمپنی کی اکاؤنٹ بک مناسب طور پر بنائی جا رہی ہے۔
- مناسب اکاؤنٹنگ پالیسیاں مالیاتی گوشواروں کی تیاری کیلئے استعمال کی گئیں ہیں اور اکاؤنٹنگ کا تخمینہ ذمہ داری کے ساتھ دیا گیا ہے۔
- اندرونی فنانشل رپورٹنگ اسٹیٹمنٹ رجحان کا پاکستان میں اطلاق موجود ہے ان کو اس مالیاتی گوشواروں کی تیاری میں لاگو کیا گیا ہے اور ان میں کسی بھی قسم کی کمی بیشی کو تفصیلی طور پر بیان کیا گیا ہے۔
- انٹرنل کنٹرول کا سسٹم بہت اچھے سے ڈیزائن کیا گیا ہے اور مناسب انداز سے اسے اطلاق کر کے اس کی نگرانی بھی کی گئی ہے۔
- کمپنی کے اوپر کسی بھی قسم کی شک و شبہ کی گنجائش نہیں اور نہ آئندہ ہوگی۔
- گزشتہ چھ سالوں کا مالیاتی اور آپریٹنگ کے ڈیٹا کا خلاصہ (صفحہ نمبر 38) سے شروع ہو رہا ہے۔
- منسلک مالی گوشواروں میں واجب الادا محصولات اور لیوز کی باقاعدہ نشاندہی کی گئی ہے۔
- حالیہ آڈٹڈ اکاؤنٹس کے مطابق سرمایہ کاری کی مالیت درج ذیل ہے: (i) پروویڈنٹ فنڈ 389.670 روپے بلین (ii) گریجویٹ فنڈ 309.968 روپے بلین
- بورڈ اور کمیٹی کی میٹنگ جو گزشتہ سال ہوئی وہ درج ذیل ہے جس میں ہر ڈائریکٹر کی حاضری بھی موجود ہے:





عہد						بورڈ		ڈائریکٹران کے نام	
منصوبہ جات کی حکمت عملی		سرمایہ کاری		ہیومن ریسورس اینڈ ریہورنیشن		آڈٹ			
حاضر	حاضر کے اہل	حاضر	حاضر کے اہل	حاضر	حاضر کے اہل	حاضر	حاضر کے اہل	حاضر	حاضر کے اہل
						7	7	5	6
3	3	8	8	7	7			6	6
2	3					6	7	5	6
								0	2
		8	8	7	7			6	6
		8	8			7	7	6	6
				0	1			1	1
3	3					7	7	6	6
						5	5	6	6
		6	6					5	5
	1			2	2			1	2
						1		1	
								0	4
2	2			4	4			3	3

- k- کمپنی کے پانچ ڈائریکٹرز نے ڈائریکٹرز ٹریننگ پروگرام مکمل کر لیا ہے۔ مزید برآں ایک ڈائریکٹر نے کارپوریٹ گورننس کے کوڈ کے تحت چھوٹے معیار پر پورا اترے ہیں۔ علاوہ ازیں بقیہ ڈائریکٹرز کارپوریٹ گورننس کے کوڈ کے تحت ڈائریکٹرز ٹریننگ پروگرام کی تمام تر مطلوبہ اہلیتیں پوری کیں۔
- l- شیئر ہولڈنگ کا پیٹرن صفحہ نمبر 92 سے ہے۔
- m- ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری، ہیڈ آف انٹرنل آڈٹ اور دیگر ایگزیکٹوز اور ان کے اہل و عیال اور اولادیں کی طرف سے کمپنی کے حصص کی ٹریڈنگ نہیں کی گئی۔

چیئر مین کا جائزہ،

بورڈ آف ڈائریکٹرز نے کمپنی کے چیئر مین کے جائزے کی تائید صفحہ نمبر 07 پر ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے

محمد مصباح تونیو

چیف ایگزیکٹو آفیسر

کراچی 28 جولائی 2017



## 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 Act, 2017 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 25, 2017 at 11:00 AM at Hotel Ramada Plaza Karachi, Star Avenue, Terminal No.1, Jinnah International Airport, Karachi.

Eligible shareholders are encouraged to participate and vote.

### Registered Office

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

### Share Registrar

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

### Auditors

EY Ford Rhodes  
 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](mailto:comsec@security-papers.com)

### Web Reference

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

### Stock Exchange Listing

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

Pakistan Stock Exchange Share Prices 2016-17			
Period	Price in Rupees		
	High	Low	Average
1st Quarter - September 30, 2016	118.75	87.10	103.75
2nd Quarter - December 31, 2016	101.00	88.00	94.50
3rd Quarter - March 31, 2017	161.00	99.00	130.00
4th Quarter - June 30, 2017	176.75	134.00	155.38



## Shareholders' Information

### Reporting

Period	Financial Results
1st Quarter - September 30, 2016	October 21, 2016
2nd Quarter - December 31, 2016	January 27, 2017
3rd Quarter - March 31, 2017	April 26, 2017
4th Quarter - June 30, 2017	July 28, 2017

### Financial Results

The Board of Directors of the Company in their meeting held on July 28, 2017 has recommended the following:

#### Cash Dividend

Cash dividend at the rate of Rs 8/- per share i.e. 80% for the year ended June 30, 2017.

#### 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 2017 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 15%
  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 @ 15% 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 15%.

- (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](mailto:comsec@security-papres.com) and/or FAMCO Associates (Pvt.) Ltd. at phone 021-34380101-5 and email address: [info.shares@famco.com.pk](mailto:info.shares@famco.com.pk).
- (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 Act, 2017.

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>.

### 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

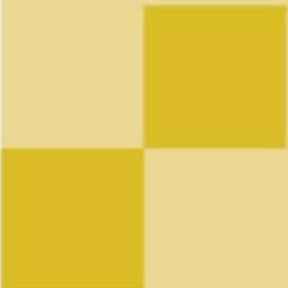
Shareholders may lodge complain or grievance at the designated area on the Company's website. The link can be accessed via "Investor Information" tab.



# **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 of 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.*

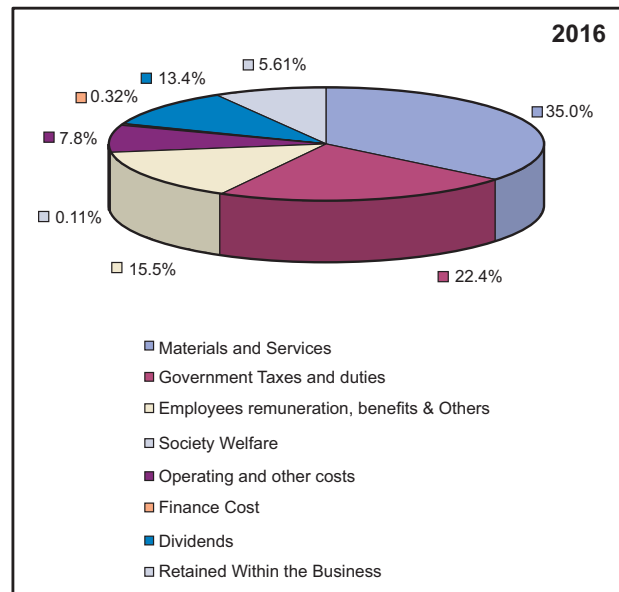
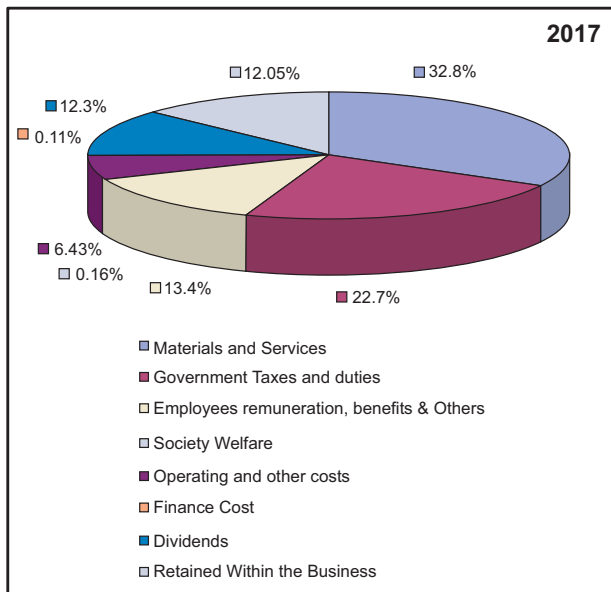


## Statement of Value Addition and its Distribution

	2017	%	2016	%
..... (Rupees in '000) .....				
<b>VALUE ADDITION</b>				
Net Sales including Taxes	<b>3,325,341</b>	<b>86.5%</b>	3,022,898	91.0%
Other Operating Income	<b>520,700</b>	<b>13.5%</b>	300,600	9.0%
	<b>3,846,041</b>	<b>100%</b>	<b>3,323,498</b>	<b>100%</b>

### VALUE DISTRIBUTION

Materials and Services	<b>1,260,736</b>	<b>32.8%</b>	1,161,638	35.0%
Government Taxes and duties	<b>872,686</b>	<b>22.7%</b>	743,531	22.4%
Employees remuneration, benefits & Others	<b>517,068</b>	<b>13.4%</b>	514,718	15.5%
Society Welfare	<b>6,297</b>	<b>0.16%</b>	3,656	0.11%
Operating and other costs	<b>247,472</b>	<b>6.43%</b>	258,312	7.8%
Finance Cost	<b>4,129</b>	<b>0.11%</b>	10,772	0.32%
Dividends	<b>474,047</b>	<b>12.3%</b>	444,420	13.4%
Retained Within the Business	<b>463,606</b>	<b>12.05%</b>	186,451	5.61%
	<b>3,846,041</b>	<b>100%</b>	<b>3,323,498</b>	<b>100%</b>





## Key Operating and Financial Data

PARTICULARS	2017	2016	2015	2014	2013 Restated	2012 Restated
<b>Financial Position</b>						
Fixed Assets - Net	<b>1,591,021</b>	1,710,120	1,847,615	1,929,736	1,958,464	2,111,951
Investments	<b>779,176</b>	774,229	1,461,099	1,451,031	582,209	577,710
Other Assets	<b>15,997</b>	15,514	15,048	14,561	14,359	24,188
	<b>2,386,194</b>	2,499,863	3,323,762	3,395,328	2,555,032	2,713,849
Current Assets	<b>3,293,013</b>	2,772,750	1,826,999	1,505,967	2,253,237	2,040,164
Current Liabilities	<b>850,482</b>	732,894	788,072	746,833	640,477	540,372
Working Capital	<b>2,442,531</b>	2,039,856	1,038,927	759,134	1,612,760	1,499,792
	<b>4,828,725</b>	4,539,719	4,362,689	4,154,462	4,167,792	4,213,641
Less : Long Term Loan	<b>11,908</b>	15,202	51,927	172,863	331,543	482,112
Less: Deferred Liabilities	<b>216,360</b>	275,028	290,593	311,641	344,548	346,114
<b>Net Assets</b>	<b>4,600,457</b>	4,249,489	4,020,169	3,669,958	3,491,701	3,385,415
Paid-up-Capital	<b>592,559</b>	592,559	592,559	493,799	411,499	411,499
Reserves	<b>4,007,898</b>	3,656,930	3,427,610	3,176,159	3,080,202	2,973,916
<b>Shareholders' Equity</b>	<b>4,600,457</b>	4,249,489	4,020,169	3,669,958	3,491,701	3,385,415
<b>Trading Results</b>						
Sales - Net of taxes	<b>2,842,085</b>	2,583,566	2,140,952	2,236,019	1,856,926	1,570,912
Gross Profit	<b>1,088,406</b>	876,620	675,717	660,811	546,156	513,856
Profit after Admn. & General Expenses	<b>890,947</b>	696,334	505,300	495,992	383,841	370,675
Other Income	<b>520,700</b>	300,600	282,092	213,579	200,437	252,575
Finance & Other Cost	<b>107,521</b>	83,516	84,091	98,901	116,199	113,028
Profit before Tax	<b>1,304,126</b>	913,418	703,301	610,671	468,080	510,222
Taxation	<b>366,473</b>	282,547	197,388	198,814	147,848	132,121
Profit after Tax	<b>937,653</b>	630,871	505,913	411,857	320,232	378,101
<b>Investors Information</b>						
Dividend *						
Cash - Value	<b>474,047</b>	444,419	355,535	246,900	164,600	246,900
Cash - %	<b>80%</b>	75.00%	60.00%	50.00%	40.00%	60.00%
Bonus - Value	-	-	-	98,760	82,300	-
Bonus - %	<b>0.00%</b>	0.00%	0.00%	20.00%	20.00%	-
Profit retained in Business - Value	<b>463,606</b>	186,452	150,378	66,197	73,332	131,201
Retention - %	<b>49.44%</b>	29.55%	29.72%	16.07%	22.90%	34.70%
<b>Profitability Ratios</b>						
Gross Profit to Sales %	<b>38.30%</b>	33.93%	31.56%	29.55%	29.41%	32.71%
EBITDA (Rs '000)	<b>1,514,036</b>	1,137,121	933,969	850,145	723,535	705,114
EBITDA Margin to Sales %	<b>53.27%</b>	44.01%	43.62%	38.02%	38.96%	44.89%
Profit before Tax to Sales %	<b>45.89%</b>	35.35%	32.85%	27.31%	25.21%	32.48%
Profit after Tax to Sales %	<b>32.99%</b>	24.42%	23.63%	18.42%	17.25%	24.07%
Return on Equity - before tax %	<b>28.35%</b>	21.49%	17.49%	16.64%	13.41%	15.07%
Return on Equity - after tax %	<b>20.38%</b>	14.85%	12.58%	11.22%	9.17%	11.17%
Return on Capital Employed %	<b>20.33%</b>	14.79%	12.42%	10.72%	8.38%	9.78%
<b>Activity / Turnover Ratios</b>						
Return on Assets - before tax %	<b>22.96%</b>	17.32%	13.65%	12.46%	9.73%	10.73%
Return on Assets - after tax %	<b>16.51%</b>	11.97%	9.82%	8.40%	6.66%	7.95%
Total Assets Turnover %	<b>50.04%</b>	49.00%	41.57%	45.62%	38.62%	33.04%
Stock Turnover - (In Times)	<b>3.39</b>	4.15	4.36	4.23	3.23	2.78
Stock Turnover - No. of Days	<b>108</b>	88	84	86	113	131
Debtor turnover Ratio - No. of Days	<b>52</b>	36	40	41	52	68
Creditor turnover Ratio - No. of Days	<b>35</b>	35	66	51	42	38
Operating Cycle	<b>125</b>	89	58	76	123	161



## Key Operating and Financial Data

PARTICULARS	2017	2016	2015	2014	2013 Restated	2012 Restated
<b>Liquidity Ratios</b>						
Current Ratio	<b>3.87:1</b>	3.78:1	2.32:1	2.02:1	3.52:1	3.78:1
Quick Ratio	<b>3.07:1</b>	3.12:1	1.89:1	1.57:1	2.88:1	3.03:1
Cash to Current Liabilities	<b>0.00:1</b>	0.20:1	0.15:1	0.11:1	0.06:1	0.03:1
Cash flow from operations to Sales	<b>0.00:1</b>	0.15:1	0.20:1	0.23:1	0.26:1	0.17:1
<b>Capital Structure Ratios</b>						
Long Term Debt to Equity	<b>0.00:1</b>	0.00:1	0.01:1	0.05:1	0.09:1	0.14:1
Long Term Debt to Asset	<b>0.00:1</b>	0.00:1	0.01:1	0.04:1	0.07:1	0.10:1
Debt Equity Ratio	<b>0.00:1</b>	0.00:1	0.01:1	0.05:1	0.09:1	0.14:1
Interest cover ratio	<b>367:1</b>	101:1	35:1	20:1	12:1	16:1
Weighted Average Cost of Debt	<b>5.41%</b>	6.57%	9.67%	9.69%	10.43%	13.28%
<b>Investment / Market Ratios</b>						
No. of Shares in issue - No.	<b>59,256</b>	59,256	59,256	49,380	41,150	41,150
Bonus Shares Issued - No.	-	-	-	9,876	8,230	-
Cash Dividend per share (Rs) *	<b>8.00</b>	7.50	6.00	5.00	4.00	6.00
Earning per share - before tax (Rs)	<b>22.01</b>	15.41	11.87	10.31	7.90	8.61
Earning per share - after tax (Rs)	<b>15.82</b>	10.65	8.54	6.95	5.40	6.38
Break-up value per share (Rs) :						
- Without Surplus on Revaluation on Fixed Assets}	<b>77.64</b>	71.71	67.84	61.93	58.93	57.13
- With Surplus on Revaluation on Fixed Assets						
Price Earning Ratio - Year end Price (Rs)	<b>9.22</b>	9.92	10.37	8.39	8.61	4.79
Earning Yield - Year end Price %	<b>10.84%</b>	10.08%	9.64%	9.93%	8.07%	14.50%
Dividend Payout %	<b>50.56%</b>	70.45%	70.28%	83.93%	77.10%	65.30%
Dividend Yield - Year end Price %	<b>5.48%</b>	7.10%	6.78%	10.00%	8.96%	13.64%
Dividend Cover - Times	<b>1.98</b>	1.42	1.42	1.19	1.30	1.53
<b>SHARE PERFORMANCE</b>						
Share Price - Highest (Rs)	<b>176.75</b>	106.50	90.00	82.00	73.00	47.85
Share Price - Lowest (Rs)	<b>87.10</b>	74.50	61.00	48.92	43.10	31.20
Share Price - Average (Rs)	<b>131.93</b>	90.50	75.50	65.46	58.05	39.52
Share Price - At year end (Rs)	<b>145.95</b>	105.59	88.56	70.00	66.99	44.00
Market Capitalization - Year end Price - (Rs '000)	<b>8,648,393</b>	6,256,826	5,247,699	3,456,592	2,756,632	1,810,596
Turnover of shares	<b>10,667,500</b>	2,042,000	4,594,500	4,603,000	3,293,458	2,239,201
<b>PRODUCTION (Ton)</b>						
Actual Production						
Banknote Paper	<b>2,334</b>	2,184	1,760	1,714	1,513	1,243
Non-Banknote Paper	<b>488</b>	473	450	691	668	418
<b>Total</b>	<b>2,822</b>	2,657	2,210	2,405	2,181	1,661
<b>SALES (Ton)</b>						
Banknote Paper	<b>2,385</b>	2,176	1,750	1,686	1,516	1,241
Non-Banknote Paper	<b>473</b>	482	486	713	610	419
<b>Total</b>	<b>2,858</b>	2,658	2,236	2,399	2,126	1,660
<b>CASH FLOWS</b>						
Cash Flows from Operating activities	<b>272,273</b>	394,212	436,027	519,619	476,555	263,604
Net Cash used in investing activities	<b>134,396</b>	87,497	(78,719)	(93,086)	(81,122)	(319,519)
Net cash used in financing activities	<b>(449,104)</b>	(448,887)	(325,978)	(380,565)	(374,685)	34,821
Cash and cash equivalents at beginning of the year	<b>147,365</b>	114,543	83,213	37,245	16,497	37,592
Cash and cash equivalents at end of the year	<b>104,930</b>	147,365	114,543	83,213	37,245	16,498

\* Proposed cash dividend of Rs 474.047 million (i.e. Rs 8.00 /- per share) is reflected in the above data as referred to in note 38 of the financial statements.





## Horizontal Analysis

	2017	2016	2015	2014	2013	2012
<b>BALANCE SHEET</b>						
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	(6.96%)	(7.44%)	(4.26%)	(1.47%)	(7.27%)	23.22%
Long Term Investments	0.64%	(47.01%)	0.69%	149.23%	0.78%	100%
Long-term deposits	3.11%	3.10%	3.34%	1.41%	(40.64%)	38.72%
<b>Current assets</b>						
Stores, spares and loose tools	28.33%	(0.76%)	(5.93%)	3.22%	(1.72%)	32.17%
Stock-in-trade	12.64%	33.02%	8.75%	(17.53%)	1.51%	12.57%
Trade debts - considered good	103.25%	23.00%	(11.12%)	4.21%	(16.77%)	0.47%
Advances, deposits, prepayments and other receivables	82.30%	(54.41%)	440.45%	22.40%	(20.21%)	57.49%
Accrued mark-up	(36.91%)	2.98%	(2.88%)	141.58%	1.45%	(90.91%)
Investments	13.90%	92.77%	39.98%	(56.38%)	20.35%	(19.40%)
Cash and bank balances	(79.69%)	28.65%	37.65%	123.42%	125.77%	(56.12%)
<b>Total assets</b>	<b>7.71%</b>	<b>2.37%</b>	<b>5.09%</b>	<b>2.21%</b>	<b>0.84%</b>	<b>10.69%</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Trade and other payables	25.04%	2.68%	11.51%	17.17%	15.35%	9.19%
Accrued mark-up on short term finance - secured	(74.77%)	(77.95%)	(60.01%)	(28.86%)	(37.22%)	35.80%
Current portion of Long term liabilities	(84.91%)	(64.16%)	(24.72%)	0.37%	1.83%	76.09%
Taxation - net	12.90%	9.38%	30.46%	25.74%	1859.29%	(95.98%)
<b>Non-current liabilities</b>						
Liabilities against asset subject to finance lease	(14.88%)	31.02%	0.49%	31.31%	(3.04%)	(26.19%)
Long Term Finance	(100.00%)	(97.06%)	(74.57%)	(49.84%)	(31.73%)	49.97%
Deferred taxation - net	(21.33%)	(5.36%)	(6.75%)	(6.82%)	(4.40%)	53.22%
<b>Total liabilities</b>	<b>5.44%</b>	<b>(9.51%)</b>	<b>(8.18%)</b>	<b>(6.97%)</b>	<b>(2.91%)</b>	<b>26.66%</b>
<b>NET ASSETS</b>	<b>8.26%</b>	<b>5.70%</b>	<b>9.54%</b>	<b>5.71%</b>	<b>2.34%</b>	<b>5.35%</b>
Issued, subscribed and paid-up capital	0.00%	0.00%	20.00%	20.00%	0.00%	0.00%
General reserve	6.17%	5.45%	4.58%	0.28%	5.06%	4.37%
Unappropriated profit Including re-measurement of investments	49.48%	14.42%	28.97%	33.12%	(13.78%)	20.10%
<b>SHAREHOLDER'S EQUITY</b>	<b>8.26%</b>	<b>5.70%</b>	<b>9.54%</b>	<b>5.71%</b>	<b>2.34%</b>	<b>5.35%</b>
<b>Total liabilities &amp; Shareholder Equity</b>	<b>7.71%</b>	<b>2.37%</b>	<b>5.09%</b>	<b>2.21%</b>	<b>0.84%</b>	<b>10.69%</b>
<b>Profit &amp; Loss Account</b>						
Sales - net	10.01%	20.67%	(4.25%)	20.42%	18.21%	20.56%
Cost of sales	2.74%	16.50%	(6.98%)	20.17%	24.00%	10.22%
Gross profit	24.16%	29.73%	2.26%	20.99%	6.29%	49.38%
Administration and general expenses	9.53%	5.79%	3.40%	1.54%	13.36%	11.16%
Other operating income	73.22%	6.56%	32.08%	6.56%	(20.64%)	(1.96%)
Other operating charges	43.06%	26.07%	1.63%	2.25%	(20.99%)	65.55%
Impairment loss on 'available for sale' investment	0.00%	0.00%	0.00%	0.00%	0.00%	(100.00%)
Operating profit	41.48%	26.65%	11.77%	23.45%	(4.39%)	29.34%
Finance costs	(63.28%)	(57.99%)	(37.02%)	(30.37%)	41.24%	578.25%
Profit before taxation	42.77%	29.88%	15.17%	30.46%	(8.26%)	21.04%
Taxation - net	29.70%	43.14%	(0.72%)	34.47%	11.90%	24.11%
Profit after taxation	48.63%	24.70%	22.84%	28.61%	(15.31%)	20.00%



## Vertical Analysis

	2017	2016	2015	2014	2013	2012
<b>BALANCE SHEET</b>						
<b>ASSETS</b>						
Non-current assets						
Property, plant and equipment	28.01%	32.43%	35.87%	39.37%	40.84%	44.41%
Long-term deposits	0.28%	0.29%	0.29%	0.30%	0.30%	0.51%
Long Term Investments	13.72%	14.68%	28.37%	29.61%	12.14%	12.15%
<b>Current assets</b>						
Stores, spares and loose tools	2.44%	2.05%	2.11%	2.36%	2.34%	2.40%
Stock-in-trade	9.66%	9.24%	7.11%	6.87%	8.51%	8.46%
Trade debts - considered good	11.13%	5.90%	4.91%	5.80%	5.69%	6.90%
Advances, deposits, prepayments and other receivables	1.12%	0.66%	1.49%	0.29%	0.24%	0.31%
Accrued mark-up	0.84%	1.43%	1.42%	1.54%	0.65%	0.65%
Loans, receivables & Investments	32.27%	30.52%	16.20%	12.17%	28.51%	23.88%
Cash and bank balances	0.53%	2.79%	2.22%	1.70%	0.78%	0.35%
<b>Total assets</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Current portion of long term liabilities	0.12%	0.85%	2.42%	3.38%	3.44%	3.41%
Trade and other payables	2.69%	10.48%	10.45%	9.85%	8.59%	7.51%
Accrued mark-up on short term finance - secured	18.49%	0.01%	0.03%	0.08%	0.11%	0.17%
Taxation - net	0.00%	2.57%	2.40%	1.93%	1.57%	0.08%
<b>Non-current liabilities</b>						
Current portion of lease liabilities	0.21%	0.27%	0.21%	0.22%	0.17%	0.18%
Long Term Finance	0.00%	0.02%	0.80%	3.31%	6.75%	9.96%
Deferred taxation - net	3.81%	5.22%	5.64%	6.36%	6.97%	7.36%
<b>Total liabilities</b>	<b>18.99%</b>	<b>19.40%</b>	<b>21.95%</b>	<b>25.12%</b>	<b>27.60%</b>	<b>28.67%</b>
<b>NET ASSETS</b>						
	<b>81.01%</b>	<b>80.60%</b>	<b>78.05%</b>	<b>74.88%</b>	<b>72.40%</b>	<b>71.33%</b>
Issued, subscribed and paid-up capital	10.43%	11.24%	11.50%	10.07%	8.58%	8.65%
General reserve	56.52%	57.34%	55.67%	55.94%	57.01%	54.72%
Unappropriated profit including re-measurement of Investments	16.63%	11.98%	9.82%	8.40%	6.68%	7.96%
<b>SHAREHOLDER'S EQUITY</b>	<b>81.01%</b>	<b>80.60%</b>	<b>78.05%</b>	<b>74.88%</b>	<b>72.40%</b>	<b>71.33%</b>
<b>Total liabilities &amp; Shareholder Equity</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Profit &amp; Loss Account</b>						
Sales - net	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of sales	61.70%	66.07%	68.44%	70.45%	70.59%	67.29%
Gross profit	38.30%	33.93%	31.56%	29.55%	29.41%	32.71%
Administration and general expenses	6.95%	6.98%	7.96%	7.37%	8.74%	9.11%
Other operating income	18.32%	11.64%	13.18%	9.55%	10.79%	16.08%
Other operating charges	3.64%	2.80%	2.68%	2.52%	2.97%	4.44%
Operating profit	46.03%	35.79%	34.10%	29.21%	28.49%	35.23%
Finance costs	0.15%	0.44%	1.25%	1.90%	3.29%	2.75%
Profit before taxation	45.89%	35.35%	32.85%	27.31%	25.21%	32.48%
Taxation - net	12.89%	10.94%	9.22%	8.89%	7.96%	8.41%
Profit after taxation	32.99%	24.42%	23.63%	18.42%	17.25%	24.07%



## Statement of Compliance with the Code of Corporate Governance

Name of Company: **Security Papers Limited**  
Year Ended: **30 June 2017**

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Chapter 5 clause 5.19.24(b) 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	✓		
Mr. Muhammad Misbah Tunio			✓
Dr. Abolghassem Jamshidi - (Iran)		✓	
Mr. Memet Ozyavuz - (Turkey)		✓	
Mr. Jamal Nasim		✓	
Mr. Muhammad Ayub		✓	
Mr. Naveed Kamran Baloch		✓	
Mr. Shamsuddin Soomro		✓	
Mr. Rauf Ahmad		✓	
Mr. Naveed Ehtesham		✓	

The independent director meets the criteria of independence under clause 5.19.1.(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution (DFI) or a Non-Banking Financial Institution (NBFI) or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurring on the Board were 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 one director met the criteria of exemption under Code of Corporate Governance. Further, DTP for the remaining directors would be completed as per requirement of CCG.
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.



## 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. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board of Directors

A handwritten signature in black ink, appearing to read "Muhammad Misbah Tunio".

**MUHAMMAD MISBAH TUNIO**  
Chief Executive Officer

Karachi  
Dated: 28th July 2017



# Financial Statements

For the Year ended June 30, 2017



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



EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

UAN: +9221 111 11 39 37 (EYFR)  
Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
ey.khi@pk.ey.com  
ey.com/pk

### 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 2017** to comply with the requirements of Rule Book of Pakistan Stock Exchange Limited Chapter 5, Clause 5.19.24 (b) of the Code, 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 2017**.

*EY Ford Rhodes*  
**Chartered Accountants**

**Date:** 28 July 2017

**Place:** Karachi



## Auditors' Report to the Members



EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

UAN: +9221 111 11 39 37 (EYFR)  
Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
ey.khi@pk.ey.com  
ey.com/pk

### Auditors' report to the members

We have audited the annexed balance sheet of **Security Papers Limited** (the Company) as at **30 June 2017** 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 repealed 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 repealed 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 repealed 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 2.3 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 repealed 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 2017** 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: 28 July 2017**  
**Karachi**





## Balance Sheet

As At 30 June 2017

	Note	2017 ----- (Rupees in '000) -----	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	1,591,021	1,710,120
Long-term investments	5	779,176	774,229
Long-term deposits	6	15,997	15,514
		<b>2,386,194</b>	<b>2,499,863</b>
<b>Current assets</b>			
Stores, spare parts and loose tools	7	138,633	108,025
Stock-in-trade	8	548,554	487,006
Trade debts - considered good	9	631,879	310,892
Loans, advances, deposits, prepayments and other receivables	10	63,757	34,973
Interest accrued	11	47,648	75,523
Investments	12	1,832,612	1,608,966
Cash and bank balances	13	29,930	147,365
		<b>3,293,013</b>	<b>2,772,750</b>
<b>Total assets</b>		<b>5,679,207</b>	<b>5,272,613</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	690,876	552,525
Accrued mark-up		82	325
Current maturity of long term loan	16	1,212	40,037
Current portion of liabilities against asset subject to finance lease	17	5,538	4,685
Provision for taxation		152,774	135,322
		<b>850,482</b>	<b>732,894</b>
<b>Non-current liabilities</b>			
Long term loan	16	-	1,212
Liabilities against assets subject to finance lease	17	11,908	13,990
Deferred taxation - net	18	216,360	275,028
		<b>228,268</b>	<b>290,230</b>
<b>Total liabilities</b>		<b>1,078,750</b>	<b>1,023,124</b>
<b>NET ASSETS</b>		<b>4,600,457</b>	<b>4,249,489</b>
<b>FINANCED BY:</b>			
Authorised share capital 70,000,000 (2016: 70,000,000) ordinary shares of Rs. 10 each		<b>700,000</b>	<b>700,000</b>
Issued, subscribed and paid-up capital	19	592,559	592,559
General reserves		3,209,919	3,023,489
Unappropriated profit		944,451	631,815
Remeasurement of investments classified as available for sale		(146,472)	1,626
		<b>4,600,457</b>	<b>4,249,489</b>
<b>SHAREHOLDERS' EQUITY</b>			
<b>Contingencies and commitments</b>	20		

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

**Muhammad Misbah Tunio**  
Chief Executive Officer

**Muhammad Ayub**  
Director



## Profit and Loss Account

For the year ended 30 June 2017

	Note	2017 ----- (Rupees in '000) -----	2016
Sales - net	21	<b>2,842,085</b>	2,583,566
Cost of sales	22	<b>(1,753,679)</b>	(1,706,946)
<b>Gross profit</b>		<b>1,088,406</b>	876,620
Administrative expenses	23	<b>(197,459)</b>	(180,286)
Other income	25	<b>520,700</b>	300,600
Other charges	26	<b>(103,392)</b>	(72,272)
Finance costs	27	<b>(4,129)</b>	(11,244)
<b>Profit before taxation</b>		<b>1,304,126</b>	913,418
Taxation - net	28	<b>(366,473)</b>	(282,547)
<b>Profit after taxation</b>		<b>937,653</b>	630,871
----- (Rupees) -----			
<b>Earnings per share (Basic &amp; Diluted)</b>	29	<b>15.82</b>	10.65

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 2017

	2017 ----- (Rupees in '000) -----	2016 ----- (Rupees in '000) -----
Profit for the year	937,653	630,871
<b>Other comprehensive income</b>		
<b><i>Other comprehensive income not to be reclassified to profit &amp; loss account in subsequent periods</i></b>		
Remeasurement gain on defined benefit plan (note 24.1.3)	5,833	6,710
<b><i>Other comprehensive income to be reclassified to profit &amp; loss account in subsequent periods (net of tax)</i></b>		
Unrealised appreciation during the year on remeasurement of investments classified as 'available for sale' - net	117,371	1,626
Transferred to profit & loss account on redemption / disposal of investment classified as 'available for sale'	(291,604)	(54,352)
Less: Impact of tax	26,135	-
Net comprehensive loss to be reclassified to profit & loss in subsequent periods	(148,098)	(52,726)
<b>Total comprehensive loss for the year, net of tax</b>	<b>(142,265)</b>	<b>(46,016)</b>
Total comprehensive income for the year, net of tax	<b>795,388</b>	<b>584,855</b>

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 2017

	Note	2017 ----- (Rupees in '000) -----	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	33	<b>658,681</b>	693,235
Long-term deposits		<b>(483)</b>	(466)
Taxes paid		<b>(381,554)</b>	(286,164)
Finance costs paid		<b>(4,371)</b>	(12,393)
Net cash generated from operating activities		<b>272,273</b>	394,212
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		<b>(83,049)</b>	(66,159)
Proceeds from sale of property, plant and equipment		<b>127</b>	1,148
Redemption of Sukuk Term Finance Certificates		<b>1,607</b>	3,094
Investment made during the year - net		<b>(320,030)</b>	(124,737)
Received capital gain on redemption of Mutual Fund		<b>291,604</b>	66,443
Dividend received on Mutual Fund		<b>100,927</b>	27,348
Mark-up received		<b>143,210</b>	180,360
Net cash from investing activities		<b>134,396</b>	87,497
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term loan		<b>(40,037)</b>	(120,988)
Payments against lease obligations		<b>(4,858)</b>	(5,052)
Dividend paid		<b>(404,209)</b>	(322,847)
Net cash used in from financing activities		<b>(449,104)</b>	(448,887)
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(42,435)</b>	32,822
Cash and cash equivalents at beginning of the year		<b>147,365</b>	114,543
Cash and cash equivalents at end of the year	33.2	<b>104,930</b>	147,365

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

**Muhammad Misbah Tunio**  
Chief Executive Officer

**Muhammad Ayub**  
Director

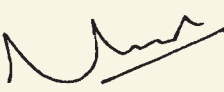


## Statement of Changes in Equity

For the year ended 30 June 2017

	Revenue Reserves				Total	Total Equity
	Issued, subscribed and paid-up share capital	General reserves	Unappropriated profit	Re-measurement of investments classified as available for sale		
----- (Rupees in '000) -----						
Balance as at June 30, 2015	592,559	2,873,119	500,140	54,352	3,427,611	4,020,170
Total comprehensive income for the year ended June 30, 2016						
Profit for the year	-	-	630,871	-	630,871	630,871
Other comprehensive income, net of taxes	-	-	6,710	(52,726)	(46,016)	(46,016)
Transactions with owners						
Final cash dividend @ Rs. 6.00 per share for the year ended 30 June 2015	-	-	(355,536)	-	(355,536)	(355,536)
Transfer to general reserves	-	150,370	(150,370)	-	-	-
<b>Balance as at June 30, 2016</b>	<b>592,559</b>	<b>3,023,489</b>	<b>631,815</b>	<b>1,626</b>	<b>3,656,930</b>	<b>4,249,489</b>
Total comprehensive income for the year ended June 30, 2017						
Profit for the year	-	-	937,653	-	937,653	937,653
Other comprehensive income, net of taxes	-	-	5,833	(148,098)	(142,265)	(142,265)
Transactions with owners						
Cash dividend @ Rs. 7.50 per ordinary share for the year ended June 30, 2016	-	-	(444,420)	-	(444,420)	(444,420)
Transfer to general reserves	-	186,430	(186,430)	-	-	-
<b>Balance as at June 30, 2017</b>	<b>592,559</b>	<b>3,209,919</b>	<b>944,451</b>	<b>(146,472)</b>	<b>4,007,898</b>	<b>4,600,457</b>

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 2017

## 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-bank note security documents.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

During the year, the Companies Act 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 17 of 2017 dated July 20, 2017 communicated Commission's decision that the companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, 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 (IFRSs) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed 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 fund scheme is measured at present value.

### 2.3 Standards, interpretations and amendments applicable to financial statements

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

#### 2.3.1 New Standards, Interpretations and Amendments

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except that the Company has adopted the following accounting standards and amendments which became effective for the current year:

IFRS 10 – Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements: Investment Entities: Applying the Consolidation Exception (Amendment)

IFRS 11 – Joint Arrangements: Accounting for Acquisition of Interest in Joint Operation (Amendment)

IAS 1 – Presentation of Financial Statements: Disclosure Initiative (Amendment)

IAS 16 – Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Method of Depreciation and Amortization (Amendment)

IAS 16 – Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)



## Notes to the Financial Statements

IAS 27 – Separate Financial Statements: Equity Method in Separate 'Financial Statements (Amendment)

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

### 2.3.2 Annual Improvements

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal

IFRS 7 – Financial Instruments: Disclosures - Servicing contracts

IFRS 7 – Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements

IAS 19 – Employee Benefits - Discount rate: regional market issue

IAS 34 – Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

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

### 2.3.3 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 – Classification and Measurement of Share Based Payment Transactions (Amendments)	01 January 2018
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 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
IFRS 4 – Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018
IAS 40 – Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRIC 22 – Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 – Uncertainty over Income Tax Treatments	01 January 2019

The Company expects that the adoption of the above amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.



## Notes to the Financial Statements

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.

<b>Standard or Interpretation</b>	<b>Effective date (annual periods beginning on or after)</b>
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
IFRS 17 – Insurance Contracts	01 January 2021

### 2.4 Significant accounting judgements, estimates & assumptions

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 3.1)
- provision for slow moving and obsolete stores and spares and stock-in-trade (notes 3.5 and 3.6)
- estimates of liability in respect of employee retirement gratuity and employees' compensated absences (notes 3.12, 3.13 and 24)
- taxation (note 3.17)
- fair value of investments classified as 'available for sale' (notes 3.3, 34.4)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 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).

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.





## Notes to the Financial Statements

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 profit and loss account and premium paid at the time of renewal, if any, is amortised over the remaining lease period. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than the recoverable amount.

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

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

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

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

### **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.

### **Capital work-in-progress**

These are stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when these assets are available for use.

### **3.2 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.

### **3.3 Investments**

The management of the Company determines the appropriate classification of its investments at the time of purchase.

### **Financial assets**

The Company classifies its financial assets in held to maturity 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.



## Notes to the Financial Statements

### (a) Held-to-maturity

Investments with fixed or determinable payments and fixed maturity where management has both the positive intent and ability to hold to maturity are classified as held-to-maturity. These are initially measured at fair value plus transaction costs and are subsequently stated at amortised cost using the effective interest method less impairment, if any. These are classified as current and non-current assets in accordance with the criteria set out by IFRSs. Gains and losses are recognised in profit and loss account, when the investments are derecognised or impaired, as well as through the amortisation process.

### (b) Available for sale

Investments intended to be held for an indefinite period of time which may be sold in response to need for liquidity or changes in market conditions are classified as available-for-sale. At initial recognition, available-for-sale investments are measured at fair value plus directly attributable transaction costs.

After initial recognition, investments which are classified as available-for-sale are measured at fair value with unrealised gains or losses recognised in other comprehensive income in the available-for-sale reserve until, the investment is sold, derecognised or is determined to be impaired, at which time the cumulative gain or loss is reclassified to the profit and loss account and removed from the available-for-sale reserve.

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.

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.

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

## 3.4 Impairment

### 3.4.1 Financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Any impairment losses on financial assets including financial assets carried at amortised cost are recognised in profit and loss account.

### 3.4.2 Non-financial assets

The carrying value of non-financial assets other than inventories and deferred tax assets are assessed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that



## Notes to the Financial Statements

reflects current market assessments of the time value of money and the risks specific to the asset. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs to sell of the asset. In determining fair value less costs to sell, the recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other fair value indicators

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit and loss account."

### 3.5 Stores, spare parts and loose tools

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

Provision for obsolete and slow moving stores, spare parts 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 Loans, advances, deposits and prepayments

These are recognised at cost, which is the fair value of the consideration given. However, an assessment is made at each balance sheet date to determine whether there is an indication that assets may be impaired. If such indication exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognised for the difference between the recoverable amount

### 3.9 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, cash at banks and term deposit receipts less than or equal to three months.



## Notes to the Financial Statements

### 3.10 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.

### 3.11 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.

### 3.12 Employee retirement benefits

#### Defined benefit plan

The Company operates 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;

#### Defined contribution plan

The Company operates an approved contributory provident fund for all eligible employees. Contributions are made equally by the Company and employees at the rate of 6.45% of gross salary; and

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

### 3.13 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. The Company provides for its estimated liability towards leaves accumulated by employees on an accrual basis using current salary levels.

### 3.14 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.

### 3.15 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.

### 3.16 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:



## Notes to the Financial Statements

- 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.

### 3.17 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.

#### 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.

### 3.18 Expenses

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

### 3.19 Foreign currency transactions and translations

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.



## Notes to the Financial Statements

### 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.

### 3.21 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.

### 3.22 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.

	Note	2017	2016
		----- (Rupees in '000) -----	
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	4.1	1,541,913	1,704,667
Capital work-in-progress	4.2	49,108	5,453
		1,591,021	1,710,120



## Notes to the Financial Statements

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

	2017													
	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		Total
	Leasehold	Freehold	Leasehold land	Freehold land								Owned	Leased	
	(Rupees in '000)													
<b>At 1 July 2016</b>														
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)
Opening 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
<b>During the year</b>														
Additions	-	-	-	3,440	7,636	1,232	964	959	23,830	1,704	204	66	2,992	43,027
Disposals:														
Cost	-	-	-	-	-	-	-	-	-	-	495	38	712	1,245
Depreciation	-	-	-	-	-	-	-	-	-	-	(495)	(38)	(712)	(1,245)
Depreciation charge for the year	-	-	(3,314)	(172,457)	(5,795)	(1,665)	(739)	(12,883)	(2,352)	(1,063)	(211)	(5,302)	10,728	(205,781)
Closing net book value	417	293	3	112,293	1,223,630	5,644	9,301	9,298	158,216	7,469	1,614	331	13,404	1,541,913
<b>At 30 June 2017</b>														
Cost	417	293	1,015	140,873	2,915,768	72,671	37,632	13,783	231,680	43,238	15,481	5,074	31,779	3,509,704
Accumulated depreciation	-	-	(1,012)	(28,580)	(1,692,138)	(67,027)	(28,331)	(4,485)	(73,464)	(35,769)	(13,867)	(4,743)	(18,375)	(1,967,791)
Closing net book value	417	293	3	112,293	1,223,630	5,644	9,301	9,298	158,216	7,469	1,614	331	13,404	1,541,913
Depreciation rate % per annum	-	-	2.5%	2.5%	6%	25%	10%	6%	6%	15%	25%	20%	20%	

	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		Total
	Leasehold	Freehold	Leasehold land	Freehold land								Owned	Leased	
	(Rupees in '000)													
<b>At 1 July 2015</b>														
Cost	417	293	1,015	135,772	2,872,719	68,703	32,639	12,780	191,462	39,477	13,179	4,668	24,015	3,397,139
Accumulated depreciation	-	-	(997)	(22,030)	(1,348,698)	(46,522)	(24,569)	(3,026)	(48,867)	(30,203)	(11,338)	(4,414)	(12,545)	(1,553,209)
Net book value	417	293	18	113,742	1,524,021	22,181	8,070	9,754	142,595	9,274	1,841	254	11,470	1,843,930
<b>During the year</b>														
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)	(212,459)
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
<b>At 30 June 2016</b>														
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%	



## Notes to the Financial Statements

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

	Note	2017	2016
----- (Rupees in '000) -----			
Cost of sales	22	<b>198,567</b>	205,956
Administration and general expenses	23	<b>7,214</b>	6,503
		<b>205,781</b>	212,459

4.1.2 Included herein assets costing Rs.176.47 million (2016: Rs.128.57 million), which are fully depreciated.

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

	Cost	Accumulated depreciation	Net book value	Sales proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyers	Location
----- (Rupees in '000) -----								
<b>Vehicle - owned</b>								
Trakker	38	38	-	6	6	Company's policy	Employee - Arshad Amir	Karachi
<b>Vehicle - leased</b>								
Suzuki Alto	712	712	-	107	107	Company's policy	Employee - Arshad Amir	Karachi
<b>Computer</b>								
Various Printers	241	241	-	2	2	Tender	Alico Waste	Karachi
Computer Monitors	254	254	-	12	12	Tender	Abdul Rauf	Karachi
<b>2017</b>	<b>1,245</b>	<b>1,245</b>	<b>-</b>	<b>127</b>	<b>127</b>			
2016	5,265	4,901	364	1,148	784			

4.2 Capital work-in-progress

	2017	2016
----- (Rupees in '000) -----		
Building	<b>28,705</b>	873
Plant and machinery	<b>17,903</b>	2,718
Vehicle	<b>2,500</b>	1,862
	<b>49,108</b>	5,453





## Notes to the Financial Statements

	Note	2017 ----- (Rupees in '000) -----	2016
The movement in capital work-in-progress is as follows:			
Balance as at beginning of the year		5,453	3,684
Additions during the year			
- Plant and machinery		22,151	27,160
- Building		32,363	3,559
- Vehicle		2,500	9,278
- Others		794	-
		<b>57,808</b>	39,997
Transfers to operating fixed assets			
- Plant and machinery		(5,990)	(24,913)
- Building		(3,440)	(4,147)
- Vehicle		(1,863)	(9,168)
- Others		(2,860)	-
		<b>(14,153)</b>	(38,228)
Balance at end of the year		<b>49,108</b>	5,453
<b>5. LONG-TERM INVESTMENTS</b>			
<b>Held-to-maturity</b>			
Pakistan Investment Bonds - conventional banking	5.1	779,176	1,472,123
Current maturity	12	-	(697,894)
		<b>779,176</b>	774,229

**5.1** These represent investments in Pakistan Investment Bonds (PIBs) carrying profit at a rate of 11.5% (effective yield of 12.05% to 12.46%) per annum with maturities in July 2018. The profit payments are made semi annually.

**5.2** As at 30 June 2017 PIBs of Rs. 785 million are collateralised with a commercial bank against borrowing facilities obtained by the Company.

	Note	2017 ----- (Rupees in '000) -----	2016
<b>6. LONG-TERM DEPOSITS</b>			
Security deposits		15,997	15,514

**6.1** These include deposits amounting to Rs 11.661 million (2016: Rs 11.661 million) given to the K-Electric on which interest is receivable at 5% per annum.



## Notes to the Financial Statements

	Note	2017 ----- (Rupees in '000) -----	2016 -----
<b>7. STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores		14,219	12,942
Spares - in hand		133,784	105,529
- in transit		6,828	3,639
Loose tools		258	256
		<u>155,089</u>	<u>122,366</u>
Provision for slow moving stores, spare parts and loose tools	7.1	<u>(16,456)</u>	<u>(14,341)</u>
		<u>138,633</u>	<u>108,025</u>
<b>7.1 Provision for slow moving stores, spare parts and loose tools</b>			
Opening Balance		14,341	14,341
Provision made during the year		2,115	-
		<u>16,456</u>	<u>14,341</u>
<b>8. STOCK-IN-TRADE</b>			
Raw materials - in hand		290,229	169,597
- in transit		17,155	52,644
		<u>307,384</u>	<u>222,241</u>
Slow moving raw material written off		(2,407)	(3,874)
Provision for slow moving raw materials	8.1	(929)	(3,264)
		<u>(3,336)</u>	<u>(7,138)</u>
Work-in-process		220,698	214,301
Finished goods		31,899	89,076
Slow moving finished goods written off		(876)	(31,474)
Provision for slow moving finished goods	8.2	(7,215)	-
		<u>23,808</u>	<u>57,602</u>
		<u>548,554</u>	<u>487,006</u>
<b>8.1 Provision for slow moving raw materials</b>			
Opening Balance		3,264	9,602
Provision / (reversal) made during the year		72	(2,464)
Written-off during the year		(2,407)	(3,874)
		<u>(2,335)</u>	<u>(6,338)</u>
		<u>929</u>	<u>3,264</u>
<b>8.2 Provision for slow moving finished goods</b>			
Opening Balance		-	31,474
Provision made during the year		8,091	-
Written-off during the year		(876)	(31,474)
		<u>7,215</u>	<u>(31,474)</u>
		<u>7,215</u>	<u>-</u>



## Notes to the Financial Statements

	Note	2017 ----- (Rupees in '000) -----	2016 ----- (Rupees in '000) -----
<b>9. TRADE DEBTS - considered good</b>			
Unsecured			
Due from Pakistan Security Printing Corporation (Private) Limited - related party - considered good	9.1 & 9.2	<b>631,788</b>	310,812
Due from Others		<b>91</b>	80
		<b>631,879</b>	310,892

**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. 631.78 million (2016: Rs. 493.77 million).

**9.2** The ageing of trade debts at 30 June 2017 is as follows:

	Note	2017 ----- (Rupees in '000) -----	2016 ----- (Rupees in '000) -----
<b>Neither past due nor impaired</b>		<b>374,958</b>	294,638
<b>Past due but not impaired</b>			
- 31 - 60		<b>256,784</b>	16,174
- 61 - 120		-	-
- 121 - 360		<b>46</b>	-
- 360 and above		-	-
		<b>631,788</b>	310,812

## 10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advance to suppliers - unsecured, considered good		<b>51,773</b>	26,490
Due from Provident Fund		-	162
Short-term deposits	10.1	<b>10,177</b>	6,868
Short-term prepayments		<b>637</b>	523
Loan to employees - considered good	10.2	<b>330</b>	-
Others		<b>840</b>	930
		<b>63,757</b>	34,973

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

**10.2** This represents loan provided to employees and carries interest at the rate of 7% per annum with maturity upto 30 June 2018.

	Note	2017 ----- (Rupees in '000) -----	2016 ----- (Rupees in '000) -----
<b>11. INTEREST ACCRUED</b>			
Pakistan Investment Bonds		<b>40,624</b>	73,855
Term Finance Certificates - shariah compliant		<b>32</b>	321
Term Deposit Receipts - shariah compliant		<b>5,274</b>	-
Security deposits		<b>1,688</b>	1,125
Deposit and saving accounts		<b>30</b>	222
		<b>47,648</b>	75,523



## Notes to the Financial Statements

	Note	2017 ----- (Rupees in '000) -----	2016
<b>12. INVESTMENTS</b>			
<b>Held to maturity</b>			
Pakistan Investment Bonds - conventional banking	5	-	697,894
Term Deposit receipts - shariah compliant	12.1	<b>325,000</b>	-
<b>Available for sale</b>			
<i>Term finance certificates</i>			
B.R.R. Guardian Modaraba 1,249 (2016: 1,678) units of Rs 5,000 each	12.2	<b>4,683</b>	6,291
Units of Mutual Funds	12.3	<b>1,502,929</b>	904,781
		<b>1,832,612</b>	1,608,966

**12.1** These represent investments made in term deposit receipts of Rs. 75 million with Meezan Bank Limited and Rs. 250 million with Dubai Islamic Bank Limited carrying expected profit at the rate of 5.42% to 5.85% per annum.

**12.2** 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.

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.

12.3	2017 ----- (Units) -----	2016	Name of Investee Company	Note	2017 ----- (Rupees in '000) -----	2016
	<b>3,308,992</b>	-	- Meezan Islamic Fund		<b>252,840</b>	-
	<b>18,672,928</b>	19,578,233	- NAFA Islamic Asset Allocation		<b>318,971</b>	305,225
	<b>43,354,077</b>	-	- NAFA Islamic Stock Fund		<b>568,133</b>	-
	<b>15,077,409</b>	-	- Meezan Balance Fund		<b>255,562</b>	-
	<b>1,035,436</b>	-	- Meezan Strategic Allocation Plan-I		<b>52,248</b>	-
	-	10,699,654	- Meezan Islamic Income Fund		-	548,678
	<b>4,656,101</b>	4,878,052	- NIT Islamic Equity Fund		<b>55,175</b>	50,878
	<b>86,104,943</b>	35,155,939			<b>1,502,929</b>	904,781



## Notes to the Financial Statements

	Note	2017 ----- (Rupees in '000) -----	2016
<b>13. CASH AND BANK BALANCES</b>			
Cash in hand		334	301
With banks in:			
- Current accounts		22	540
- Saving accounts	13.1	588	71,293
- Saving accounts - shariah compliant		8,453	59,503
- Deposit account		62	62
- Dividend accounts		20,471	15,666
		29,596	147,064
		29,930	147,365

**13.1** Saving accounts carry profit ranging from 3.75% to 5.25% per annum (2016: 2.50% to 6.00% per annum).

**13.2** The Company has banking relationship with banks having conventional banking system as well as shariah compliant bank.

	Note	2017 ----- (Rupees in '000) -----	2016
<b>14. TRADE AND OTHER PAYABLES</b>			
Creditors		36,558	14,911
Payable against purchase of operating fixed assets		34,881	39,308
Salaries, wages and benefits payable		86,664	112,650
Accrued compensated absences	14.1	55,104	50,677
Sales tax payable		30,680	25,690
Withholding tax payable		29,312	16,370
Provision for fire tax	14.2	37,023	37,023
Utilities		21,393	25,052
Advances from customers		1,397	3,377
Payable to gratuity fund	24.1.2	13,598	5,174
Unclaimed dividend		178,353	138,142
Book overdraft		14,666	-
Workers' welfare fund	14.3	34,932	33,871
Workers' profit participation fund	14.4	71,222	(1,678)
Deposits repayable on demand	14.5	7,288	7,805
Payable to a related party	14.6	6,820	6,691
Others		30,985	37,462
		690,876	552,525
<b>14.1 Employees' compensated absences</b>			
Balance at begning of the year		50,677	46,174
Charge for the year		4,427	4,503
Balance at end of the year		55,104	50,677



## Notes to the Financial Statements

### 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	2017 ----- (Rupees in '000) -----	2016
<b>14.3 Workers' welfare fund</b>			
Balance as at 1 July		<b>33,871</b>	28,377
Provision for the year	26	<b>20,282</b>	19,221
Prior year charge		<b>(1,830)</b>	339
Payments / adjustments during the year		<b>(17,391)</b>	(14,066)
		<b>34,932</b>	33,871
<b>14.4 Workers' profit participation fund</b>			
Balance as at 1 July		<b>(1,678)</b>	37,746
Add:			
Allocation for the year	26	<b>73,832</b>	44,985
Interest on funds utilised in the Company's business	27	<b>-</b>	472
		<b>73,832</b>	45,457
		<b>72,154</b>	83,203
Paid during the year		<b>(932)</b>	(84,881)
		<b>71,222</b>	(1,678)

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

**14.6** This amount is payable to Pakistan Security Printing Corporation (Private) Limited, in respect of certain expenses incurred on behalf of the Company.

## 15. SHORT TERM FINANCE AND OTHER FACILITIES

### 15.1 Running finance

At 30 June 2017, the Company has running finance facility from National Bank of Pakistan and Bank Al Habib Limited amounting to Rs. 100 million each (2016: Rs. 100 million each)

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 of the Company with 35% margin amounting to Rs. 154 million and are available till 31 December 2017. 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- one month) plus 1.25 basis points (2016: one month's Karachi Inter Bank Offered Rate (KIBOR) plus 1.25 basis points).



## Notes to the Financial Statements

The arrangement from Bank Al Habib Limited (BAHL) is secured by lien over PIBs of Rs: 785 million, import documents consigned in favour of BAHL and counter guarantees and is available till 31 December 2017. 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 (Shariah Compliant Financing)

As at June 30 2017, the company has arrangement of running musharka facility of Rs. 200 million from Meezan Bank Limited (2016: Rs. 200 million).

The arrangement is secured by first pari passu hypothecation charge created over stocks and receivables of the Company amounting to Rs. 266.67 million in favour of the bank and are available till 30 September 2017. 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 2017, 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 (2016: 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 2017, the Company has ijarah facility from the Meezan Bank Limited amounting to Rs. 50 million (2016: Rs. 50 million) out of which Rs: 4.85 million (2016: Rs. 3.735 million) were utilized.

### 15.5 Letter of Guarantee Facility

As at 30 June 2017, the Company has facilities from National Bank of Pakistan and Bank Al Habib Limited relating to letters of guarantee as follows:

	2017 ----- (Rupees in '000) -----	2016
Total facility available	<u>120,000</u>	<u>120,000</u>
Utilised facility	<u>49,972</u>	<u>49,972</u>



## Notes to the Financial Statements

	2017 ----- (Rupees in '000) -----	2016 ----- (Rupees in '000) -----
<b>16. LONG TERM LOAN - secured</b>		
Balance as at 1 July	41,249	162,237
Repayments during the year	(40,037)	(120,988)
	<u>1,212</u>	<u>41,249</u>
Current maturity shown under current liabilities	(1,212)	(40,037)
	<u>-</u>	<u>1,212</u>

The Company has acquired facility amounting to Rs 34.70 million (2016: Rs. 114.147 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 2017 (2016: 31 December 2016) and carries mark-up at three months Karachi Inter Bank Offer Rate (KIBOR) at effective annual rate of 6.72% (2016: 6.73%).

The facility is secured by Pakistan Investment Bonds of the Company having face value of Rs. 785 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

	2017			2016		
	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	6,597	1,059	5,538	5,980	1,295	4,685
Later than one year and not later than five years	12,927	1,019	11,908	15,476	1,486	13,990
	<u>19,524</u>	<u>2,078</u>	<u>17,446</u>	<u>21,456</u>	<u>2,781</u>	<u>18,675</u>

**17.1** The above represents finance leases entered into with financial institutions for lease of motor vehicles. The liability under the agreement is payable by March 2021 in monthly installments and is subject to annual finance charge rates ranging from 7.65% to 9.15% (2016: 7.86% to 9.36%)

	2017 ----- (Rupees in '000) -----	2016 ----- (Rupees in '000) -----
<b>18. DEFERRED TAXATION - net</b>		
<b>Deferred tax liabilities on taxable temporary differences:</b>		
accelerated tax depreciation	262,356	295,318
<b>Deferred tax asset on deductible temporary differences:</b>		
Provision for slow moving inventory and fire tax	(19,343)	(16,935)
Gain on Remeasurement of investment available for sales - OCI	(26,135)	-
Leased liability net of leased assets	(518)	(3,355)
	<u>(45,996)</u>	<u>(20,290)</u>
	<u>216,360</u>	<u>275,028</u>





## Notes to the Financial Statements

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

2017		2016	2017		2016
(Number of shares)			----- (Rupees in '000) -----		
<b>1,250,000</b>	1,250,000	Ordinary shares fully paid in cash	<b>12,500</b>		12,500
<b>58,005,984</b>	58,005,984	Ordinary shares issued as fully paid bonus shares	<b>580,059</b>		580,059
<b>59,255,984</b>	<b>59,255,984</b>		<b>592,559</b>		<b>592,559</b>

19.1 The following shares are held by the related parties of the Company as at 30 June 2017:

Name of related party	2017		2016	
	Shares held	Percentage	Shares held	Percentage
Pakistan Security Printing Corporation (Private) Limited	<b>23,721,739</b>	<b>40.03%</b>	23,721,739	40.03%
Summer Holding A.S. (Turkey)	<b>5,925,565</b>	<b>10.00%</b>	5,925,565	10.00%
Industrial Development & Renovation Organisation of Iran, Tehran (Iran)	<b>5,925,565</b>	<b>10.00%</b>	5,925,565	10.00%

### 20. CONTINGENCIES AND COMMITMENTS

#### 20.1 Contingencies

	Note	2017	2016
		----- (Rupees in '000) -----	
Income tax	20.1.1	<b>10,221</b>	10,221
Claims against the Company not acknowledged as debt	20.1.2	<b>2,379</b>	2,379
Sales Tax on Services	20.1.3	<b>4,163</b>	4,163
		<b>16,763</b>	<b>16,763</b>

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

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

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

During the 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	2017 ----- (Rupees in '000) -----	2016
<b>20.2 Commitments</b>			
Capital expenditure contracted for but not incurred		23,556	5,499
Commitments against letters of credit		54,057	55,639
		<b>77,613</b>	<b>61,138</b>
<b>21. SALES - net</b>			
Banknote paper		2,815,083	2,467,345
Non-banknote paper:			
- Commercial paper		10,207	168,924
- Others		500,051	386,629
		<b>510,258</b>	<b>555,553</b>
Sales tax		3,325,341	3,022,898
		(483,256)	(439,332)
		<b>2,842,085</b>	<b>2,583,566</b>
<b>22. COST OF SALES</b>			
Opening stock of raw materials		222,241	156,707
Add: Purchases - net		779,613	748,296
		<b>1,001,854</b>	<b>905,003</b>
Closing stock of raw materials	8.	(307,384)	(222,241)
Raw materials consumed		694,470	682,762
Salaries, wages and benefits	22.1	282,699	327,696
Defence security guards		30,029	36,286
Manufacturing services		116,513	122,453
Stores, spares and loose tools consumed		89,654	77,216
Provision for slow moving stores, spare parts and loose tools	7.1	2,115	-
Provision for slow moving raw materials	8.1	72	-
Provision for slow moving finished goods	8.2	8,091	-
Utilities		254,248	257,718
Repairs and maintenance		41,828	30,144
Insurance		4,453	5,155
Rent, rates and taxes		991	986
Depreciation	4.1.1	198,567	205,956
Other expenses		10,643	13,455
		<b>1,734,373</b>	<b>1,759,827</b>
Opening stock of work-in-process		214,301	160,272
Less: Closing stock of work-in-process	8	(220,698)	(214,301)
Cost of goods manufactured		1,727,976	1,705,798
Opening stock of finished goods		57,602	90,224
Closing stock of finished goods	8	(31,899)	(89,076)
		<b>1,753,679</b>	<b>1,706,946</b>



## Notes to the Financial Statements

### 22.1 Employee retirement benefits

Salaries, wages and benefits include Rs. 27.090 million (2016: Rs. 23.615 million) in respect of employee retirement benefits.

	Note	2017 ----- (Rupees in '000) -----	2016
<b>23. ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and benefits	23.1	<b>160,537</b>	141,565
Rent, rates and taxes		<b>596</b>	919
Travelling expenses including those of directors Rs. 2.905 million (2016: Rs 2.230 million)		<b>3,323</b>	4,762
Printing and stationery		<b>2,427</b>	2,428
Repairs and maintenance		<b>8,571</b>	5,167
Packing and forwarding		<b>1,228</b>	4,561
Advertisement		<b>2,854</b>	2,765
Training		<b>468</b>	647
Software expenses		<b>262</b>	627
Communication		<b>2,496</b>	2,397
Entertainment		<b>1,709</b>	1,368
Legal and professional		<b>3,006</b>	3,245
Depreciation	4.1.1	<b>7,214</b>	6,503
Others		<b>2,768</b>	3,332
		<b>197,459</b>	180,286

**23.1** Salaries, wages and benefits include Rs. 12.631 million (2016: Rs. 10.724 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 2017. The projected unit credit method, using the following significant assumptions has been used for the actuarial valuation.

	2017	2016
<b>24.1.1 Actuarial assumptions</b>		
a) Discount rate	<b>8.00%</b>	7.25%
b) Salary Increase Rate - Short Term	<b>10.50%</b>	9.00%
c) Salary Increase Rate - Long Term	<b>8.00%</b>	7.25%
d) Interest Credit Rate	<b>8.00%</b>	7.25%
e) Expected return on plan assets	<b>8.00%</b>	7.25%



## Notes to the Financial Statements

	Note	2017 ----- (Rupees in '000) -----	2016
<b>24.1.2 Amounts recognised in the balance sheet are as follows:</b>			
Present value of defined benefit obligations	24.1.4	<b>342,334</b>	336,986
Fair value of plan assets	24.1.5	<b>(328,736)</b>	(331,812)
Liability on balance sheet		<b>13,598</b>	5,174
<b>24.1.3 Movement in net liability recognised:</b>			
Opening net liability		<b>5,174</b>	32,679
Expense recognized during the year		<b>20,787</b>	16,297
Other comprehensive income		<b>(5,833)</b>	(6,710)
Contributions and benefits paid on behalf of the fund		<b>(6,530)</b>	(37,092)
Closing net liability		<b>13,598</b>	5,174
<b>24.1.4 Movement in present value of defined benefit obligations</b>			
Opening present value of obligation		<b>336,986</b>	316,026
Current service cost		<b>11,279</b>	5,755
Interest cost		<b>9,508</b>	10,542
Benefits paid		<b>(42,125)</b>	(31,768)
Re-measurement Loss on obligation		<b>3,920</b>	10,690
Income distributed among the members		<b>22,766</b>	25,741
Closing present value of obligation		<b>342,334</b>	336,986
<b>24.1.5 Movement in the fair value of plan assets</b>			
Opening fair value of plan assets		<b>331,812</b>	283,347
Expected return on plan assets		<b>22,766</b>	25,741
Remeasurement gain / (Loss) on plan assets		<b>9,753</b>	17,400
Benefits paid		<b>(42,125)</b>	(31,768)
Contribution by Company		<b>6,530</b>	37,092
Closing fair value of plan assets		<b>328,736</b>	331,812
<b>24.1.6 Expense recognised in the profit and loss account</b>			
Current service cost		<b>11,279</b>	5,755
Net Interest cost		<b>(13,258)</b>	(15,199)
Income distributed among members		<b>22,766</b>	25,741
Cost for the year		<b>20,787</b>	16,297
<b>24.1.7 Return on plan assets is as follows:</b>			
Expected return on plan assets		<b>22,766</b>	25,741
Re-measurement gains/(Loss) on plan assets		<b>9,753</b>	17,400
Return on plan assets		<b>32,519</b>	43,141



## Notes to the Financial Statements

	2017	2016
<b>24.1.8 Plan assets comprised of following :</b>		
Defence Saving Certificates (DSCs)	<b>10%</b>	10%
Regular Income Certificates (RICs)	<b>27%</b>	26%
Special Saving Certificates (SSCs)	<b>60%</b>	59%
Bank account and short-term deposits	<b>3%</b>	5%
	<b>100%</b>	100%

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

	2017	2016	2015	2014	2013
	----- (Rupees in '000) -----				
Present value of defined benefit obligation	<b>342,334</b>	336,986	316,026	270,015	260,080
Fair value of plan assets	<b>328,736</b>	331,812	283,347	263,610	272,958
Deficit / (surplus)	<b>13,598</b>	5,174	32,679	6,405	(12,878)

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

Loss / (gain) on obligation	<b>3,920</b>	10,690	10,935	(1,141)	(24,867)
(gain) / loss on plan assets	<b>(9,753)</b>	(17,400)	3,725	18,149	(15,824)

**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 2017.

**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 2017.

## 24.2 Defined contribution plan

	2017 Un-audited	2016 Un-audited
	----- (Rupees in '000) -----	
Size of the trust	<b>421,905</b>	413,485
Cost of investment made	<b>292,637</b>	294,662
Percentage of the investment made	<b>69.36%</b>	71.26%
Fair value of investment made	<b>292,637</b>	294,662



## Notes to the Financial Statements

	2017		2016	
	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
<b>24.2.1 Breakup of investment</b>				
Special Saving Certificates	258,645	88.4%	177,075	60.1%
Pakistan Investment Bond	33,404	11.4%	116,999	39.7%
Mutual Fund	588	0.2%	588	0.2%
	<u>292,637</u>		<u>294,662</u>	

**24.2.2** Investments of provident fund have been made in accordance with the provisions of section 227 of the repealed Companies Ordinance, 1984 and the rules formulated for this purpose.

	Note	2017 ----- (Rupees in '000) -----	2016
<b>25. OTHER INCOME</b>			
<b>Income from financial assets</b>			
Amortisation of discount on Pakistan Investment Bond	25.1	7,053	11,024
Gain on redemption of Mutual Fund	25.2	291,604	66,443
Dividend income on Mutual Fund	25.2	100,927	27,348
Reversal of impairment on term finance certificates		536	1,031
Mark-up on:			
- Pakistan Investment Bonds	25.1	97,169	173,415
- Term Deposit Receipts	25.2	5,752	654
- Savings account	25.2	1,913	-
- Bank deposits and savings account	25.3	9,938	7,864
- Security deposits	25.1	563	609
- Loan to employees	25.1	16	4
		<u>515,471</u>	<u>288,392</u>
<b>Income from non-financial assets</b>			
Gain on sale of property, plant and equipment	26.3	127	784
Sale of waste materials		3,270	8,135
Reversal of slow moving stock - net		-	2,464
Others		1,832	825
		<u>5,229</u>	<u>12,208</u>
		<u>520,700</u>	<u>300,600</u>

**25.1** It represents gain earned from interest bearing securities / deposits.

**25.2** It represents gain earned from shariah compliant investments / bank account.

**25.3** It represents interest income from conventional banking system.

## 26. OTHER CHARGES

Workers' profit participation fund	14.4	73,832	44,985
Workers' welfare fund	14.3	20,282	19,221
Donation	26.1	6,297	3,656
Auditors' remuneration	26.2	1,126	1,082
Exchange loss - net	26.3	1,855	3,328
		<u>103,392</u>	<u>72,272</u>



## Notes to the Financial Statements

### 26.1 Donation

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

	Note	2017	2016
		----- (Rupees in '000) -----	
<b>26.2 Auditors' remuneration</b>			
Audit fee		770	700
Review of half yearly financial statements		144	115
Special certification, Code of Corporate Governance and other services		25	97
Out of pocket expenses		187	170
		<u>1,126</u>	<u>1,082</u>

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

### 27. FINANCE COSTS

Interest / mark-up on:			
- long-term finance		938	6,462
- short-term finance		199	636
- finance leases		1,188	1,307
- lease rental - operating		1,049	-
- Workers' Profit Participation Fund	14.4	-	472
Bank charges		755	2,367
		<u>4,129</u>	<u>11,244</u>

### 28. TAXATION - net

Current			
- for the year		400,655	302,298
- for prior year		(1,649)	(4,186)
		<u>399,006</u>	<u>298,112</u>
Deferred		(32,533)	(15,565)
		<u>366,473</u>	<u>282,547</u>

### 28.1 Reconciliation between tax expense and accounting profit

Accounting profit before taxation		1,304,126	913,418
Tax on accounting profit @ 31% (2016: 32%)		404,279	292,294
Rebates under section 61, 65A and 65B of the Ordinance		(11,967)	(10,535)
Tax at reduced rate		(65,045)	(16,818)
Tax effect of permanent differences		1,039	1,180
Effect of reduction in tax rate		(8,086)	(8,874)
Super tax		42,323	28,290
Tax effect of prior year		(1,649)	(4,185)
Tax on amortisation of Pakistan Investment Bonds		3,448	-
Others		2,131	1,195
		<u>366,473</u>	<u>282,547</u>
Average rate of tax		28%	31%



## 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.





## Notes to the Financial Statements

### 29. EARNINGS PER SHARE

		2017	2016
		----- (Rupees in '000) -----	
Profit after taxation		<u>937,653</u>	<u>630,871</u>
(Number of shares)		<b>(Number of shares)</b>	
Weighted average number of ordinary shares	18	<u>59,255,984</u>	<u>59,255,984</u>
(Rupees)		<b>(Rupees)</b>	
Earnings per share - basic and diluted		<u>15.82</u>	<u>10.65</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:

	2017			2016		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	----- (Rupees in '000) -----					
Directors' fee	4,295	18,955	-	2,594	10,750	-
Managerial remuneration, utilities, Housing perquisites etc (including bonus)	-	-	92,284	-	-	58,550
Reward and other benefits	6,961	-	-	6,260	-	26,764
Provident Fund Contribution by the Company	-	-	3,792	-	-	5,660
Medical	-	-	4,295	-	-	3,942
<b>Total</b>	<u>11,256</u>	<u>18,955</u>	<u>100,371</u>	<u>8,854</u>	<u>10,750</u>	<u>94,916</u>
Number of persons	<u>1</u>	<u>7</u>	<u>36</u>	<u>1</u>	<u>8</u>	<u>38</u>

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: 3.57 million (2016: 3.48 million) as an award in recognition of his 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

	2017			Total
	Key Management Personnel	Associated under-takings	Other	
	----- (Rupees in '000) -----			
<b>Transactions during the year:</b>				
Sale of goods to Pakistan Security Printing Corporation (Private) Limited - net	-	2,833,095	-	2,833,095
State Life Insurance Corp: Limited (Life Insurance facility)	-	-	985	985
Remuneration to key management personnel	130,582	-	-	130,582
<b>Balance outstanding at the year end</b>				
Receivable from Pakistan Security Printing Corporation (Private) Limited - net	-	624,968	-	624,968

	2016			Total
	Key Management Personnel	Associated under-takings	Other	
	----- (Rupees in '000) -----			
<b>Transactions during the year:</b>				
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
<b>Balance outstanding at the year end</b>				
Receivable from Pakistan Security Printing Corporation (Private) Limited - net	-	304,120	-	304,120



## 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.

	2017	2016
	(Tons)	
<b>32. PRODUCTION CAPACITY</b>		
Total Installed Capacity - on three shift basis	<b>3,000</b>	2,800
Available installed capacity -based on available three shift working days	<b>2,921</b>	2,780
Actual production	<b>2,822</b>	2,657

The short capacity utilisation during the year was due to scheduled plant (PM-2) shut down of 10 days ( 2016: 10 days) for maintenance purposes.

	Note	2017	2016
		----- (Rupees in '000) -----	
<b>33. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		<b>1,304,126</b>	913,418
<b>Adjustments for:</b>			
Depreciation		<b>205,781</b>	212,457
Gain on disposal of property, plant and equipment		<b>(127)</b>	(784)
Provision for slow moving stock		<b>10,278</b>	-
Reversal of impairment on term finance certificates		<b>(536)</b>	(1,031)
Reversal of provision of slow moving stock - net		-	(2,464)
Amortisation of discount		<b>(7,053)</b>	(11,024)
Gain on redemption of investments		<b>(291,604)</b>	(66,443)
Dividend income on Mutual fund		<b>(100,927)</b>	(27,348)
Mark-up on investments		<b>(104,834)</b>	(174,073)
Mark-up on bank deposits and saving accounts		<b>(9,938)</b>	(7,864)
Mark-up on security deposits		<b>(563)</b>	(609)
Finance costs		<b>4,129</b>	11,244
Working capital changes	33.1	<b>(350,051)</b>	(152,244)
		<b>(645,445)</b>	(220,183)
		<b>658,681</b>	693,235



## Notes to the Financial Statements

	2017	2016
	----- (Rupees in '000) -----	
<b>33.1 Working capital changes</b>		
<b>(Increase) / Decrease in current assets</b>		
Stores, spare parts and loose tools	(32,723)	830
Stock-in-trade	(69,711)	(118,415)
Trade debts	(320,987)	(58,128)
Loans, advances, deposits, prepayments and other receivables	(28,784)	41,738
	<u>(452,205)</u>	<u>(133,975)</u>
<b>Increase / (Decrease) in current liabilities</b>		
Trade and other payables	102,154	(18,269)
	<u>(350,051)</u>	<u>(152,244)</u>
<b>33.2 CASH AND CASH EQUIVALENTS</b>		
Term deposits receipts having maturity of three months or less	12 75,000	-
Cash and bank balances	13 29,930	147,365
	<u>104,930</u>	<u>147,365</u>
<b>34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES</b>		

The Company finances its operations through short term borrowing, long term financing and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

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. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. No changes were made in the objectives, policies or processes and assumptions during the year ended 30 June 2017 which are summarized below:

### 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.3,400.919 million (2016: Rs.2,967.462 million), the financial assets which are subject to credit risk amounted to Rs. 2,244.079 million (2016: Rs.1,467.863 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 18.58% (2016: 10.25%) 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

		2017	2016
		----- (Rupees in '000) -----	
Investments		<b>1,507,612</b>	911,072
Trade debts	9	<b>631,879</b>	310,892
Loans, deposits, interest accrued and other receivables		<b>74,992</b>	98,835
Bank balances	13	<b>29,596</b>	147,064
		<b>2,244,079</b>	1,467,863

### Quality of financial assets

Investments comprise of Term Finance Certificates, Term Deposit Receipts 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.

	2017	2016
Term Finance Certificates (Refer note 12.2)	<u>D</u>	<u>D</u>
Meezan Islamic Income Fund	<u>AM1</u>	<u>AM2++</u>
NIT Islamic Equity Fund	<u>AM2++</u>	<u>AM2+</u>
Nafa Islamic Stock Fund	<u>AM1</u>	<u>-</u>
Meezan Strategic Allocation Fund - I	<u>AM1</u>	<u>-</u>
Nafa Islamic Asset Allocation Fund	<u>AM1</u>	<u>AM2++</u>
Meezan Balance Fund	<u>AM1</u>	<u>-</u>

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

	2017		2016	
	Gross	Impairment	Gross	Impairment
	----- (Rupees in '000) -----			
Neither past due nor impaired	<b>374,958</b>	-	294,638	-
Past due but not impaired				
- 31 - 60	<b>256,784</b>	-	16,174	-
- 61 - 120	-	-	-	-
- 121 - 360	<b>57</b>	-	-	-
- 360 and above	<b>80</b>	-	80	-
	<b>631,879</b>	-	310,892	-

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.



## Notes to the Financial Statements

34.1.1. The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows :

Bank	Rating agency	Short-term Rating	2017	2016
			----- (Rupees in '000) -----	
National Bank of Pakistan Limited	PACRA	A1+	20,494	16,206
Bank Al Habib Limited	PACRA	A1+	(14,604)	70,780
Meezan Bank Limited	JCR - VIS	A1+	8,453	59,503
Habib Metropolitan Bank Limited	PACRA	A1+	499	483
Bank Al Falah Limited	PACRA	A1+	70	74
NIB Bank Limited	PACRA	A1+	18	18
			<u>14,930</u>	<u>147,064</u>

### 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:



## Notes to the Financial Statements

2017

	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
----- (Rupees in '000) -----						
<b>Financial Liabilities</b>						
Long term loans	1,212	(1,245)	(1,245)	-	-	-
Trade and other payables	472,259	(472,259)	(213,317)	(233,592)	(25,350)	-
Liabilities against assets subject to finance lease	17,446	(19,524)	(3,298)	(3,299)	(12,927)	-
Accrued mark up	82	(82)	(82)	-	-	-
	<b>490,999</b>	<b>(493,110)</b>	<b>(217,942)</b>	<b>(236,891)</b>	<b>(38,277)</b>	-

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) -----						
<b>Financial Liabilities</b>						
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)	-	-	-
	<b>421,415</b>	<b>(425,569)</b>	<b>(201,424)</b>	<b>(56,107)</b>	<b>(146,582)</b>	-

### 34.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk, interest rate risk, and other price risk.

#### 34.3.1 Currency risk

The Company was mainly exposed to currency risk on import of raw materials and fixed assets being denominated in US dollars and Euros.



## Notes to the Financial Statements

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

	2017		
	USD	Euro	Total
	------(Rupees in '000)-----		
Payable against purchase of operating fixed assets	-	25,350	25,350
Trade & Other Payables	1,733	1,382	3,115
Gross balance sheet exposure	1,733	26,732	28,465
Outstanding letters of credit	4,674	50,750	55,424
Net exposure	6,407	77,482	83,889

	2016		
	USD	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

	Reporting date rate	
	2017	2016
USD to PKR	105.00	104.70
Euro to PKR	120.14	116.31

### 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 trade & other payables and liability against purchase of fixed assets.





## Notes to the Financial Statements

	2017 ----- (Rupees in '000) -----	2016
<b>Effect on profit</b>		
Increase	1,845	1,669
Decrease	(1,845)	(1,669)

### 34.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Pakistan Investment Bonds, Term Deposit Receipts, short term borrowing, long term financing and assets subject to finance lease at variable rates. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

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

	Note	2017 ----- (Rupees in '000) -----	2016
<b>Financial assets</b>			
<b>Fixed rate instruments</b>			
Term Deposit Receipts - Shariah Compliant	12	325,000	-
Pakistan Investment Bonds	5.1	779,176	1,472,123
		<u>1,104,176</u>	<u>1,472,123</u>
<b>Variable rate instruments</b>			
Term Finance Certificates	12	4,683	6,291
		<u>4,683</u>	<u>6,291</u>
<b>Financial liabilities</b>			
<b>Variable rate instruments</b>			
Long Term Loan	16	1,212	41,249
Liabilities against asset subject to Finance Lease	17	17,446	18,675
		<u>18,658</u>	<u>59,924</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.



## Notes to the Financial Statements

	<b>Effect on profit and loss</b>	
	<b>100 bp increase</b>	<b>100 bp decrease</b>
	<b>(Rupees in '000)</b>	
<b>As at 30 June 2017</b>		
Cash flow sensitivity - Variable rate instruments	<u>187</u>	<u>(187)</u>
<b>As at 30 June 2016</b>		
Cash flow sensitivity - Variable rate instruments	<u>599</u>	<u>(599)</u>

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

### 34.3.3 Other price risk

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

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

	<b>2017</b>	<b>2016</b>
	<b>(Rupees in '000)</b>	
B.R.R. Guardian Modaraba Term Finance Certificates	<u>468</u>	<u>629</u>
Units of mutual funds	<u>150,293</u>	<u>90,478</u>

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

### 34.4 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.

## 35. 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.



## Notes to the Financial Statements

### 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 market price

Level 2: Valuation techniques (market observable); and

Level 3: Valuation techniques (non-market observables)

	Level 1	Level 2	Level 3
	----- (Rupees in '000) -----		
<b>30 June 2017</b>			
<i>Available for sale investments</i>			
B.R.R. Guardian Modaraba Term Finance Certificates	-	-	4,683
Units of Mutual Funds	<u>1,502,929</u>	<u>-</u>	<u>-</u>
<b>30 June 2016</b>			
<i>Available for sale investments</i>			
B.R.R. Guardian Modaraba Term Finance Certificates	-	-	6,291
Units of Mutual Funds	<u>904,781</u>	<u>-</u>	<u>-</u>

### 36. OPERATING SEGMENTS

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

**36.1** Revenue from bank notes represents 84.67% (2016 : 81.61%) of the total revenue of the Company.

**36.2** All the sales of the Company are made to customers located in Pakistan.

**36.3** All non-current assets of the Company at 30 June 2017 are located in Pakistan.

**36.4** One customer (PSPC) of the Company accounts for 99.69% (2016: 94.42%) of total revenue of the Company for the year.

### 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 28 July 2017 has proposed a cash dividend in respect of the year ended 30 June 2017 of Rs 8.00 per share (2016: Rs 7.50 per share). In addition, the directors have also announced appropriation of Rs 463.60 million (2016: 186.43 million) to revenue reserves. These appropriations will be approved in the forthcoming Annual General meeting. The financial statements for the year ended 30 June 2017 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 2017 were 384 (2016: 399) and average number of employees were 391 (2016: 404).
- 38.3** These financial statements were authorised for issue on 28 July 2017 by the Board of Directors of the Company.

A handwritten signature in black ink, appearing to read "Muhammad Misbah Tunio".

**Muhammad Misbah Tunio**  
Chief Executive Officer

A handwritten signature in black ink, appearing to read "Muhammad Ayub".

**Muhammad Ayub**  
Director



## Pattern of Shareholding

### As At 30 June 2017

Number of Shareholders	No. of Shareholdings		Number of Shares
	From	To	
573	1	100	11481
435	101	500	156766
282	501	1000	239810
505	1001	5000	1318858
114	5001	10000	880537
56	10001	15000	712732
26	15001	20000	457105
15	20001	25000	339917
6	25001	30000	165553
2	30001	35000	67167
5	35001	40000	186043
6	40001	45000	258311
4	45001	50000	189485
1	50001	55000	53501
2	55001	60000	113825
1	60001	65000	60474
3	65001	70000	205273
3	70001	75000	216160
1	90000	95000	90000
4	95001	100000	398000
1	115001	120000	117607
1	160001	165000	164220
1	175001	180000	177847
1	195001	200000	195677
2	235001	240000	479138
1	250000	255000	250000
1	395001	400000	399367
1	765001	770000	768703
1	870001	875000	870365
1	925001	930000	928689
1	1345001	1350000	1346415
1	2585001	2590000	2587428
1	4250001	4255000	4254280
1	5020001	5025000	5022384
2	5925001	5930000	11851128
1	23720001	23725000	23721739
<b>2062</b>			<b>59255985</b>



## Pattern of Shareholding As At 30 June 2017

Categories of Shareholders	Number	Shares held	Percentage
<b>i. Associated Companies, Undertakings and Related Parties</b>	<b>3</b>	<b>35,572,867</b>	<b>60.03</b>
SUMER HOLDING A.S.	1	5,925,564	10.00
INDUSTRIAL DEVELOPMENT & RENOVATION ORGANIZATION OF IRAN	1	5,925,564	10.00
PAKISTAN SECURITY PRINTING CORPORATION (PVT.) LIMITED	1	23,721,739	40.03
<b>ii. Mutual Funds</b>	<b>1</b>	<b>2,587,428</b>	<b>4.37</b>
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	2,587,428	4.37
<b>iii. Directors and their Spouse(s) and minor children</b>	<b>2</b>	<b>1,787</b>	<b>0.00</b>
SHEIKH MOHAMMAD AIJAZ AKHTAR	2	1,787	0.00
<b>iv. Executives</b>	-	-	-
<b>v. Public Sector Companies and Corporations</b>	<b>3</b>	<b>5,951,296</b>	<b>10.04</b>
STATE LIFE INSURANCE CORPORATION OF PAKISTAN	2	5,022,607	8.48
PAKISTAN REINSURANCE COMPANY LIMITED	1	928,689	1.57
<b>vi. Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds</b>	<b>15</b>	<b>6,883,725</b>	<b>11.62</b>
HABIB BANK LIMITED	2	130	0.00
UNITED BANK LIMITED	1	318	0.00
MERCANTILE COOPERATIVE FINANCE	1	35,231	0.06
MUSLIM COMMERCIAL BANK LIMITED	1	153	0.00
E F U GENERAL INSURANCE LIMITED	1	749	0.00
INNOVATIVE INVESTMENT BANK LIMITED	1	1,428	0.00
THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED	1	4,254,280	7.18
NATIONAL BANK OF PAKISTAN	2	1,347,897	2.27
SAUDI PAK INDUSTRIAL & AGRICULTURAL INVESTMENT CO. LTD.- CAD	1	100,000	0.17
EFU LIFE ASSURANCE LIMITED	1	870,365	1.47
ALLIANZ EFU HEALTH INSURANCE LIMITED	1	33,600	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
<b>General Public</b>	<b>1994</b>	<b>6,151,874</b>	<b>10.38</b>
a. Local	1994	6,151,874	10.38
b. Foreign	-	-	-



## Pattern of Shareholding

### As At 30 June 2017

Categories of Shareholders	Number	Shares held	Percentage
<b>Others</b>	<b>44</b>	<b>2,107,008</b>	<b>3.56</b>
FIKREE DEVELOPMENTS CORPORATION (PRIVATE) LIMITED	2	5,578	0.01
AZEEM SERVICES (PVT.) LIMITED	1	1	0.00
N. H. SECURITIES (PVT.) LIMITED	1	37	0.00
ABRIS (PRIVATE) LIMITED	1	8,000	0.01
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
PREMIER FASHIONS (PVT) LTD	1	15,000	0.03
SIZA (PRIVATE) LIMITED	1	10,000	0.02
TRUSTEE MOMIN ADAMJEE WELFARE TRUST	1	5,000	0.01
GLOBE MANagements (PRIVATE) LIMITED	1	7,000	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
SHAMALIK BROTHERS (PVT) LTD	1	1,000	0.00
MAPLE LEAF CAPITAL LIMITED	1	1	0.00
HABIB BANK AG ZURICH DEIRA DUBAI	1	70,000	0.12
MULTILINE SECURITIES (PVT.) LIMITED	1	14,210	0.02
FDM CAPITAL SECURITIES (PVT) LIMITED	1	10,000	0.02
FEDERAL BOARD OF REVENUE	1	46,468	0.08
DJM SECURITIES (PRIVATE) LIMITED	1	25,000	0.04
NCC - PRE SETTLEMENT DELIVERY ACCOUNT	1	500	0.00
CLIKTRADE LIMITED	1	1	0.00
Z.A. GHAFAR SECURITIES (PRIVATE) LTD.	1	1,500	0.00
MUHAMMAD BASHIR KASMANI SECURITIES (PVT.) LIMITED	1	3,570	0.01
NATIONAL INVESTMENT TRUST LIMITED - ADMINISTRATION FUND	1	768,703	1.30
PEARL SECURITIES LIMITED - MF	1	1,000	0.00
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
MARGALLA FINANCIAL (PRIVATE) LIMITED	1	1,000	0.00
INTERMARKET SECURITIES LIMITED - MF	1	25,000	0.04
MRA SECURITIES LIMITED - MF	1	6,500	0.01
<b>Total</b>	<b>2,062</b>	<b>59,255,985</b>	<b>100.00</b>



## Pattern of Shareholding

### As At 30 June 2017

Categories of Shareholders	Number	Shares held	Percentage
<b>vii. Shareholders Holding five percent or more</b>			
<b>Voting Rights in the Listed Company</b>	<b>6</b>	<b>44,849,754</b>	<b>75.69</b>
PAKISTAN SECURITY PRINTING CORPORATION (PVT.) LIMITED	1	23,721,739	40.03
SUMER HOLDING A.S.	1	5,925,564	10.00
INDUSTRIAL DEVELOPMENT & RENOVATION ORGANIZATION OF IRAN	1	5,925,564	10.00
STATE LIFE INSURANCE CORPORATION OF PAKISTAN	2	5,022,607	8.48
THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED	1	4,254,280	7.18





## Company Information

### BOARD OF DIRECTORS

#### Non-executive Directors

##### Chairman

Sheikh Mohammad Aijaz Akhtar Minority & Independent - Elected

##### Directors

Mr. Mohammad Haroon Rasheed		- Nominee - PSPC
Mr. Memet Ozyavuz - Turkey	Minority	- Nominee - SHAS
Dr. Abolghassem Jamshidi - Iran	Minority	- Nominee - IDRO
Mr. Muhammad Ayub	Minority	- Elected - PPCBL
Mr. Jamal Nasim	Minority	- Elected - NIT
Mr. Naveed Kamran Baloch	Minority	- Elected - SLIC
Mr. Ali Hussain Brohi		- Nominee - PSPC
Mr. Rauf Ahmad		- Nominee - PSPC
Mr. Naveed Ehtesham		- Nominee - PSPC

#### Executive Director

##### Chief Executive Officer

Mr. Muhammad Misbah Tunio - Nominee - PSPC

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

### BOARD AUDIT COMMITTEE

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

### BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

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



## Company Information

### BOARD INVESTMENT COMMITTEE

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

### MANAGEMENT AND STRATEGIC PLAN COMMITTEE

#### Chairman:

Mr. Muhammad Misbah Tunio - Chief Executive Officer

#### Members:

Dr. Muhammad Ashraf Butt	- Director Operations
Mr. Rizwan Ul Haq Khan	- Chief Financial Officer & Company Secretary
Mr. Faiz-Ul-Islam	- General Manager (Supply Chain)
Mr. Khalil Ahmed	- General Manager (Engineering & Projects)
Qazi Syed Imran Azam	- General Manager (HR&A)
Mr. Saadat Ali	- D.G.M. (QA/R&D)
Mr. Muhammad Abdul Qadir Jilani	- D.G.M. (IMS, IT & Process Systems)
Mr. Babar Aijaz	- Sr. Manager (Internal Audit)
Maj. (R) Khalid Farooque	- Sr. Manager (Security)

### BANKERS

National Bank of Pakistan  
MCB Bank Limited (Formerly NIB Bank Limited)  
Habib Metropolitan Bank Limited  
Bank Alfalah Limited  
Bank Al Habib Limited  
Meezan Bank Limited

### AUDITORS

EY Ford Rhodes  
Chartered Accountants

### TAX CONSULTANTS

A. F. Ferguson & Co.  
Chartered Accountants

### LEGAL ADVISORS

Mohsin Tayebaly & Co.  
Advocates & Legal Consultants

### REGISTERED OFFICE

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

### SHARE REGISTRAR

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

### FACTORY

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



## Notice of Annual General Meeting

Notice is hereby given that the Fifty-second Annual General Meeting of Security Papers Limited will be held on Friday, the 25th August 2017 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 2017 together with the Reports of the Auditors and the Directors.
2. To approve the payment of cash dividend at the rate of Rs 8/- per share i.e. 80% for the year ended 30 June 2017 as recommended by the Board of Directors.
3. To appoint Auditors for the year 2017-18 and to fix their remuneration.
4. To elect four Directors as fixed by the Board pursuant to provision of Section 159(1) of the Companies Act, 2017 for a term of three years in place of the following retiring Directors who are eligible for re-election:
 

1. Sheikh Mohammad Aijaz Akhtar	2. Mr. Jamal Nasim
3. Mr. Muhammad Ayub	4. Mr. Naveed Kamran Baloch

### B. SPECIAL BUSINESS

5. To consider and if thought fit, to pass the following as an Ordinary Resolution:

"RESOLVED that the Directors' remuneration for attending meetings of the Board / Committee(s) of the Board be and is hereby increased from Rs 160,000/= to Rs 200,000/=."

#### STATEMENT UNDER SECTION 134 (3) (B) OF THE COMPANIES ACT, 2017 REGARDING THE SPECIAL BUSINESS:

The existing amount of Directors' remuneration for attending the meetings of the Board / Committee(s) of the Board was Rs 160,000/= per meeting. The said amount had become inadequate and did not compensate for the increase in responsibilities of the Director. The proposed resolution seeks to revise the existing fee from Rs 160,000/= to Rs 200,000/= per meeting.

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

6. To consider, and if thought fit, pass the following as an Ordinary Resolution, with or without modification, to obtain consent from the Members for the transmission of Annual Audited Accounts of the Company in electronic form:

"RESOLVED that the consent and approval of the members of the Company be and is hereby accorded for transmission of annual reports including annual audited accounts, auditor's report and directors' report, notices of annual general meetings and other information contained therein of the Company to the members for future years through CD/DVD/USB instead of transmitting the same in hard copies

FURTHER RESOLVED that the Chief Executive Officer or the Company Secretary of the Company be and is hereby authorized to do all acts, deeds and things, take or cause to be taken all necessary actions to comply with all legal formalities and requirements and file necessary documents as may be necessary or incidental for the purposes of implementing this resolution."

#### STATEMENT UNDER SECTION 134 (3) (B) OF THE COMPANIES ACT, 2017 REGARDING THE SPECIAL BUSINESS:

This statement sets out the material facts concerning the special business, given in agenda item No. 5 of the notice, intended to be transacted at the Annual General Meeting of Security Papers Limited to be held on 25 August, 2017.



## Notice of Annual General Meeting

The directors of the Company have recommended the same which will give the members the option to receive annual balance sheet, profit & loss account, auditor's report and directors' report etc. ("annual audited accounts") through CD/DVD/USB at their registered address and to bring about and implement the Securities and Exchange Commission of Pakistan's directive communicated through Notification # SRO 470(I)/2016 dated 31st May 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.

By Order of the Board

**(Rizwan Ul Haq Khan)**  
Company Secretary

Karachi,

28 July 2017

### NOTES:

#### 1. Closure of Share Transfer Books

The Share Transfer Books of the Company will remain closed from 17 August to 25 August 2017 (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 16, 2017 will be considered in time to determine the above mentioned entitlement and to attend and vote at the Meeting.

#### 2 For Candidates participating in the Election of Directors

Any person who seeks to contest the election of directors shall, whether he/she is a retiring Director or otherwise, file with the Company at its Registered Office not later than fourteen (14) days before the date of the meeting his/her intention to offer himself/herself for election directors in terms of Section 150(3) of the Companies Act, 2017, together with:

- (i) Consent to act as director in Form-28 completed as required under Section 167(1) of the Companies Act, 2017;
- (ii) A declaration on the matters required by the Code of Corporate Governance and the Company (specimen may be obtained from Registered Office); and
- (iii) Detailed profile along with office address for placement on the Company's website seven (7) days before to the date of election of directors in term of S.R.O.25(1)/2012 of 16th January 2012.

#### 3. 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.



## Notice of Annual General 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.

### 4. 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.

### 5. Deduction of Income Tax from Dividend under Section 150 the Income Tax Ordinance, 2001 (Mandatory)

- (i) Pursuant to the provisions of the Finance Act 2017 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 15%
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 @ 15% 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 15%.

- (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)



## Notice of Annual General Meeting

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 June 2010 and C. No. 1 (43) DG (WHT)/2008- Vol. II -66417-R dated 12 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-papers.com](mailto:comsec@security-papers.com) and/or FAMCO Associates (Pvt.) Ltd. at phone 021-34380101-5 and email address: [info.shares@famco.com.pk](mailto:info.shares@famco.com.pk)
- (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.

### 6. 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 242 of the Companies Act, 2017.

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>.

### 7. 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.

### 8. 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>.

### 9. 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.

www.jamapunji.pk



**Be aware, Be alert,  
Be safe**

**Learn about investing at  
www.jamapunji.pk**

**Key features:**

- 📄 Licensed Entities Verification
- 🕒 Scam meter\*
- 🎮 Jamapunji games\*
- 📊 Tax credit calculator\*
- 🔍 Company Verification
- 📄 Insurance & Investment Checklist
- ?? FAQs Answered

- 📈 Stock trading simulator  
(based on live feed from KSE)
- 📖 Knowledge center
- 📊 Risk profiler\*
- 📄 Financial calculator
- 📱 Subscription to Alerts (event notifications, corporate and regulatory actions)
- 📱 Jamapunji application for mobile device
- 📄 Online Quizzes



Jama Punji is an Investor  
Education Initiative of  
Securities and Exchange  
Commission of Pakistan

jamapunji.pk

@jamapunji\_pk

\*Mobile apps are also available for download for android and ios devices



## 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 52nd ANNUAL  
 GENERAL MEETING of the Company to be held on Friday, 25 August 2017 at 11:00 AM and at any adjournment  
 thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

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.





## پروکسی فارم

میں / ہم ..... از ..... بحیثیت سیکورٹی پیپر لمیٹڈ کے ممبر اور عام حصص یافتہ مطابق شیئر رجسٹر فولیو سی ڈی سی اکاؤنٹ نمبر ..... مقرر کرتا ہوں۔ فولیو سی ڈی سی اکاؤنٹ نمبر ..... سی این آئی سی نمبر یا پاسپورٹ نمبر ..... یا بصورت دیگر ..... فولیو سی ڈی سی اکاؤنٹ نمبر ..... سی این آئی سی نمبر یا پاسپورٹ نمبر ..... جو کمپنی کے ممبر بھی ہیں، کو کمپنی کے جمعہ 25 اگست 2017ء کو صبح گیارہ بجے منعقد ہونے والے بیانیوں سالانہ اجلاس میں اپنی جانب سے شرکت اور رائے دہی کیلئے اپنا پروکسی۔

2017ء

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  
موصول ٹکٹ

..... دستخط

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

..... سی این آئی سی یا پاسپورٹ نمبر.....

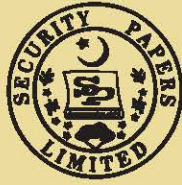
ضروری:

- 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 اٹارنی دستخط کریگا۔ ممبر کارپوریشن ہونے کی صورت میں اس کی مہر فارم پر ثبت کرنی ہوگی۔
- 3- اجلاس میں شرکت اور رائے دہی کا اہل ممبر اپنی جانب سے شرکت اور رائے دہی 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 اینٹٹی

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) کارپوریٹ اینٹٹی کی صورت میں ڈائریکٹرز کی قرارداد / پار آف اٹارنی معذرتاً فرد کے دستخط کا نمونہ (اگر پہلے فراہم نہ کئے گئے ہوں) پروکسی فارم کے ہمراہ کمپنی کو پیش کرنے ہوں گے۔



*Security Papers*  
LIMITED

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

**REGISTERED OFFICE & DEPARTMENT:**

Jinnah Avenue, Malir Halt, Karachi-75100.

Ph: (+9221) 99248285 Fax: (+9221) 99248286

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

Ph: (+9221) 99248536-37 Fax: (+9221) 99248616