

Annual Report 2015

Security Papers
LIMITED

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



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History of Major Events

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

Board of Director



Kazi Abdul Muktadir
Chairman



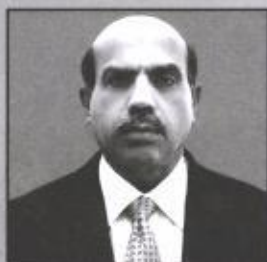
Sheikh Mohammad
Aijaz Akhtar



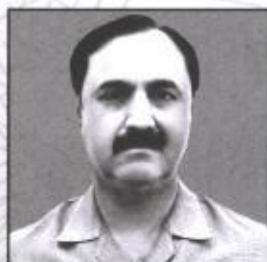
Ayla Akin



Jamal Nasim



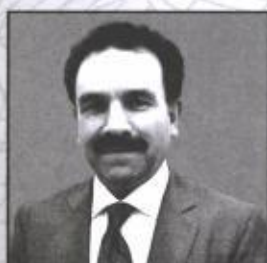
Muhammad Misbah Tunio
Chief Executive Officer



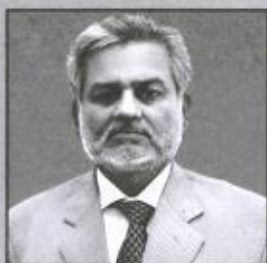
Ajaz Ali Khan



Dr. Abolghassem Jamshidi



Muhammad Ayub

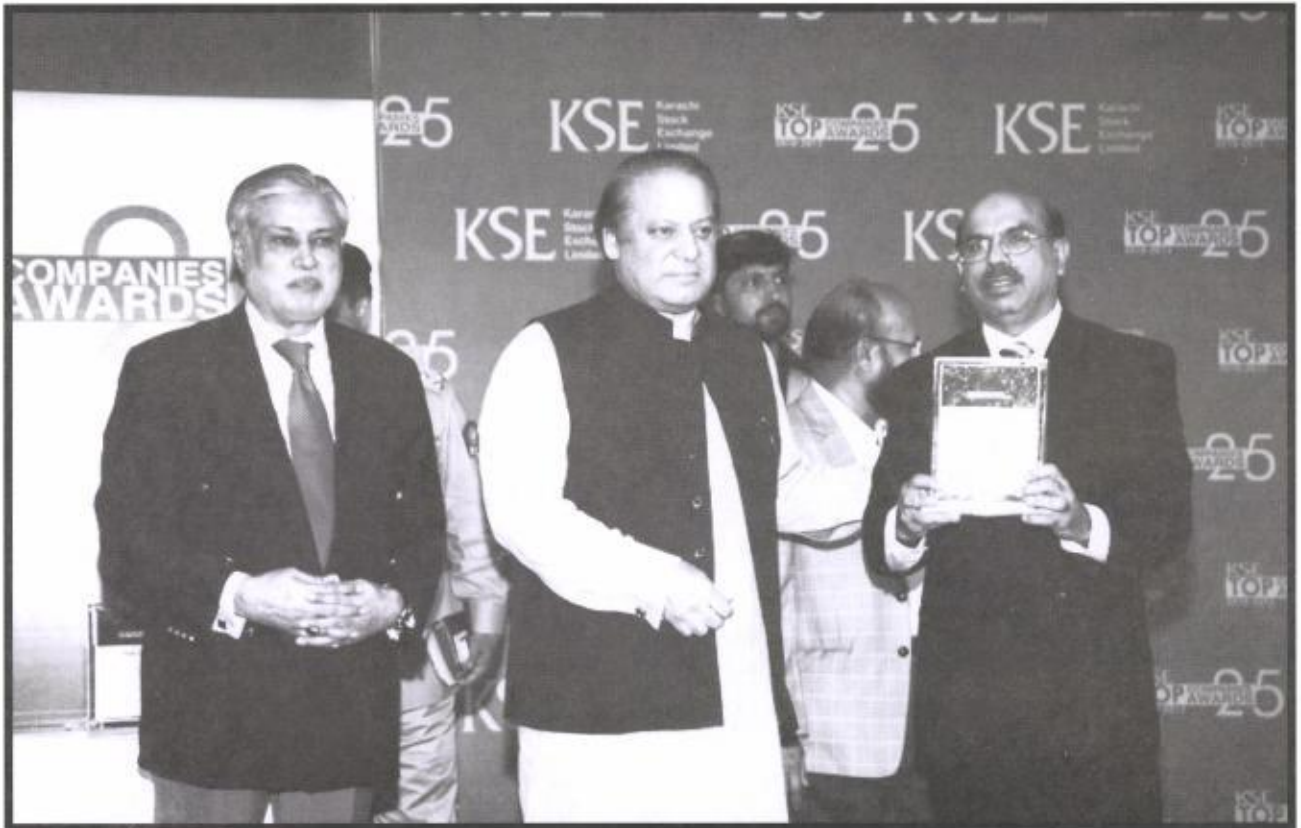


Ch Mehboob Ilahi



Shamsuddin Soomro

Corporate Award



Top Companies Award 2013

Chairman's Review

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

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

Business and Performance Review

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

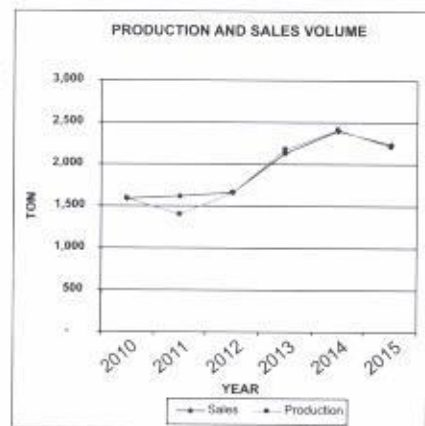
The Company achieved impressive growth in its operations during the year. Operational excellence and management skills have positioned the Company to achieve sustained and qualitative growth in the long run. The Board closely monitored the performance of the business with a focus to achieve continued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

Production

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

Sales

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



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

Plant Upgrade

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

Dry Cleaning Unit (DCU)

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

Thread Unwind System (TUS)

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



Chairman's Review

Internal Audit

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

Information Systems

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

Strategic Plan

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

Business Continuity / Disaster Recovery Plan

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

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

Business Process Re-engineering

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

Research & Development

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

The Integrated Management System

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

Chairman's Review

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

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

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

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



The Environment Management System (ISO 14001: 2004)

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

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

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

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



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

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



Chairman's Review

Quality Management System (ISO 9001:2008)

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

Annual Environmental Excellence Award (AEEA) 2013

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

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

Corporate Social Responsibility

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

During the year following donations were made:

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

Contribution to the national exchequer and the economy of the country

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

Human Resource

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



Chairman's Review

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

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

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

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

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

Statement of Ethical Practices

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

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

Top Companies Award

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

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

Forward Looking

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

Acknowledgement

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

KAZI ABDUL MUKTADIR

Chairman

Karachi

Dated: 31 July 2015



Directors' Report

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

Financial Results

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

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

Subsequent Appropriations

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

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

Earnings per share

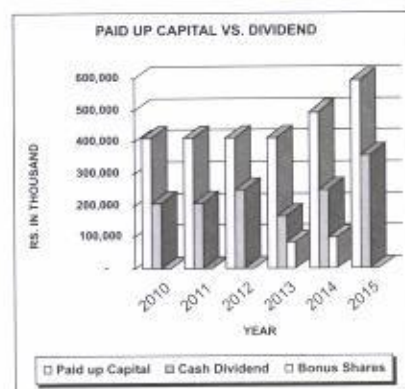
The earnings per share (EPS) - before and after taxation was Rs11.87 and Rs 8.54 (2014: Rs 10.30 and Rs 6.95) respectively.

Operating Results

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

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

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



Directors' Report

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

Market and book value per share

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

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

Cash Flow Management

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

Long term debt equity and current ratios

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

Material changes and commitments

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

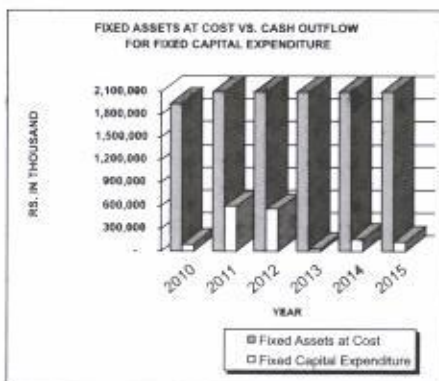
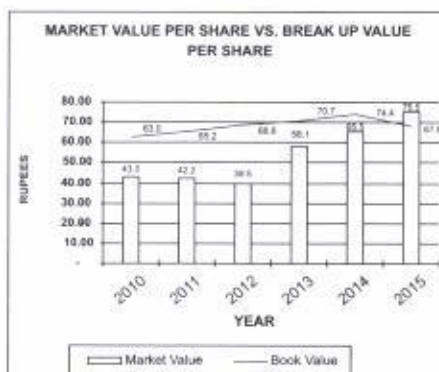
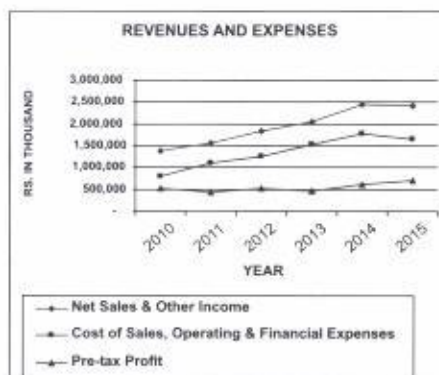
Financial Statements

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

Auditors

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

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





Directors' Report

Board and Committee Changes

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

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

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

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

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

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

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

Compliance with the Code of Corporate Governance

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

Statement on Corporate and Financial Reporting Framework

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

Directors' Report

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

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

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

The Economy

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



Directors' Report

Chairman's Review

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

On behalf of the Board of Directors

MUHAMMAD MISBAH TUNIO

Chief Executive Officer

Karachi

Dated: 31 July 2015

Criteria to Evaluate Board's Performance

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

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

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



Shareholders' Information

Annual General Meeting

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

Eligible shareholders are encouraged to participate and vote.

Registered Office

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Telephone: (+9221) 99248285
Fax: (+9221) 99248286
E-mail: comsec@security-papers.com
Website: <http://www.security-papers.com>

Share Registrar

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

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Investor Relations Contact

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

Web Reference

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

Stock Exchange Listing

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

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

Shareholders' Information

Reporting

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

Financial Results

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

Cash Dividend

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

CNIC / NTN Number on Dividend Warrant (Mandatory)

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

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

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

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

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

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

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

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



Shareholders' Information

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

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

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

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

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

Dividend Mandate [Optional]

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

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

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

Payment of Cash Dividend Electronically (Optional)

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

Shareholders' Information

Delivery of the Unclaimed/Undelivered Shares

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

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

Investor Relations

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

Investor Grievance

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



Vision Statement

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



Mission Statement

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

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



Core Values

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

Strategic Goals

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



Code of ethics and business practices

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

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

Strategic Goals

- a. Providing Customer Satisfaction by serving with quality products, security paper needs of national and international customers.
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- 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.



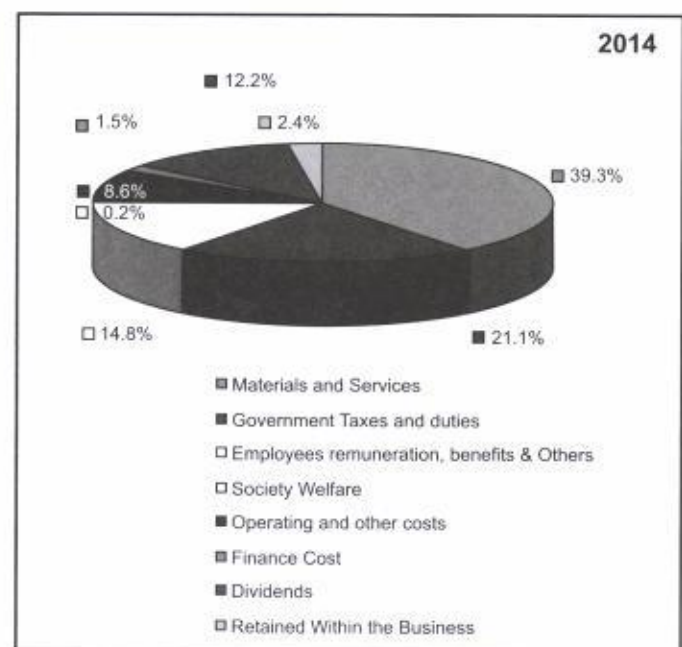
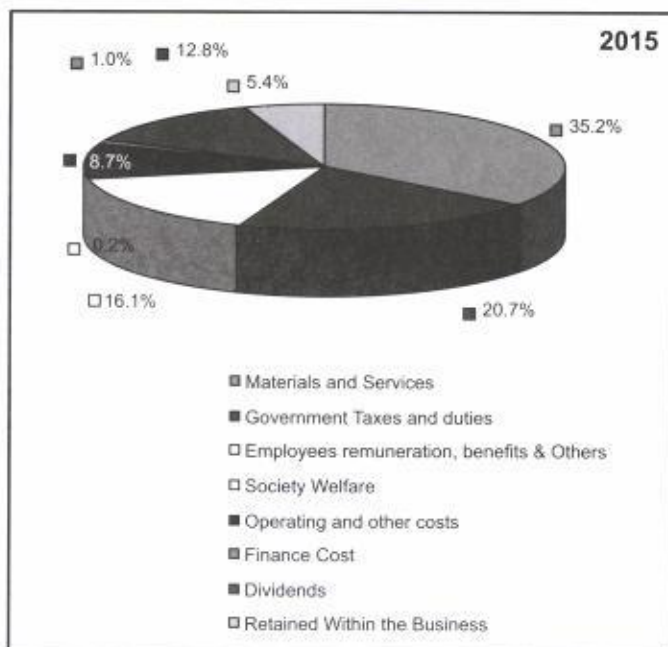
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A detailed policy for actual and perceived conflicts of interest and its resolution relating to the members of the Board of Directors and employees is in place.

Statement of Value Addition and its Distribution

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





Key Operating and Financial Data

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

Key Operating and Financial Data

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

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

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



Horizontal Analysis

BALANCE SHEET

ASSETS

Non-current assets

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

Current assets

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

Total assets

| | | | | | |
|-------|-------|-------|--------|--------|-------|
| 5.09% | 2.21% | 0.84% | 10.69% | 18.23% | 5.41% |
|-------|-------|-------|--------|--------|-------|

LIABILITIES

Current liabilities

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

Non-current liabilities

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

Total liabilities

| | | | | | |
|---------|---------|---------|--------|---------|-------|
| (8.18%) | (6.97%) | (2.91%) | 26.66% | 105.70% | 9.56% |
|---------|---------|---------|--------|---------|-------|

NET ASSETS

| | | | | | |
|-------|-------|-------|-------|-------|-------|
| 9.54% | 5.71% | 2.34% | 5.35% | 3.51% | 4.74% |
|-------|-------|-------|-------|-------|-------|

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

SHAREHOLDER'S EQUITY

| | | | | | |
|-------|-------|-------|-------|-------|-------|
| 9.54% | 5.71% | 2.34% | 5.35% | 3.51% | 4.74% |
|-------|-------|-------|-------|-------|-------|

Total liabilities & Shareholder Equity

| | | | | | |
|-------|-------|-------|--------|--------|-------|
| 5.09% | 2.21% | 0.84% | 10.69% | 18.23% | 5.41% |
|-------|-------|-------|--------|--------|-------|

Profit & Loss Account

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

Vertical Analysis

BALANCE SHEET

ASSETS

Non-current assets

| | | | | | | |
|-------------------------------|--------|--------|--------|--------|--------|--------|
| Property, plant and equipment | 35.87% | 39.37% | 40.84% | 44.41% | 39.89% | 34.24% |
| Long-term deposits | 0.29% | 0.30% | 0.30% | 0.51% | 0.41% | 0.47% |
| Long Term Investments | 28.37% | 29.61% | 12.14% | 12.15% | - | - |

Current assets

| | | | | | | |
|---|--------|--------|--------|--------|--------|--------|
| Stores, spares and loose tools | 2.11% | 2.36% | 2.34% | 2.40% | 2.01% | 2.63% |
| Stock-in-trade | 7.11% | 6.87% | 8.51% | 8.46% | 8.32% | 9.85% |
| Trade debts - considered good | 4.91% | 5.80% | 5.69% | 6.90% | 7.60% | 5.59% |
| Advances, deposits, prepayments and other receivables | 1.49% | 0.29% | 0.24% | 0.31% | 0.21% | 0.62% |
| Accrued mark-up | 1.42% | 1.54% | 0.65% | 0.65% | 7.89% | 4.64% |
| Loans, receivables & Investments | 16.20% | 12.17% | 28.51% | 23.88% | 32.80% | 40.58% |
| Cash and bank balances | 2.22% | 1.70% | 0.78% | 0.35% | 0.87% | 1.37% |

Total assets

| | | | | | |
|------|------|------|------|------|------|
| 100% | 100% | 100% | 100% | 100% | 100% |
|------|------|------|------|------|------|

LIABILITIES

Current liabilities

| | | | | | | |
|---|--------|-------|-------|-------|-------|-------|
| Current portion of long term liabilities | 2.42% | 3.38% | 3.44% | 3.41% | 2.14% | 0.06% |
| Trade and other payables | 10.45% | 9.85% | 8.59% | 7.51% | 7.61% | 6.13% |
| Accrued mark-up on short term finance - secured | 0.03% | 0.08% | 0.11% | 0.17% | 0.14% | 0.00% |
| Taxation - net | 2.40% | 1.93% | 1.57% | 0.08% | 2.23% | 3.91% |

Non-current liabilities

| | | | | | | |
|--------------------------------------|-------|-------|-------|-------|-------|-------|
| Current portion of lease liabilities | 0.21% | 0.22% | 0.17% | 0.18% | 0.26% | 0.26% |
| Long Term Finance | 0.80% | 3.31% | 6.75% | 9.96% | 7.35% | 0.00% |
| Deferred taxation - net | 5.64% | 6.36% | 6.97% | 7.36% | 5.31% | 4.04% |

Total liabilities

| | | | | | |
|--------|--------|--------|--------|--------|--------|
| 21.95% | 25.12% | 27.60% | 28.67% | 25.05% | 14.40% |
|--------|--------|--------|--------|--------|--------|

NET ASSETS

| | | | | | |
|--------|--------|--------|--------|--------|--------|
| 78.05% | 74.88% | 72.40% | 71.33% | 74.95% | 85.60% |
|--------|--------|--------|--------|--------|--------|

Issued, subscribed and paid-up capital

| | | | | | | |
|--|--------|--------|--------|--------|--------|--------|
| General reserve | 11.50% | 10.07% | 8.58% | 8.65% | 9.58% | 11.32% |
| Unappropriated profit | 55.78% | 55.94% | 57.01% | 54.72% | 58.03% | 64.70% |
| Surplus on re-measurement of investments | 9.71% | 8.40% | 6.68% | 7.96% | 7.33% | 9.58% |

classified as 'available for sale'

| | | | | | |
|-------|-------|-------|-------|-------|-------|
| 1.06% | 0.46% | 0.13% | 0.00% | 0.00% | 0.00% |
|-------|-------|-------|-------|-------|-------|

SHAREHOLDER'S EQUITY

| | | | | | |
|--------|--------|--------|--------|--------|--------|
| 78.05% | 74.88% | 72.40% | 71.33% | 74.95% | 85.60% |
|--------|--------|--------|--------|--------|--------|

Total liabilities & Shareholder Equity

| | | | | | |
|------|------|------|------|------|------|
| 100% | 100% | 100% | 100% | 100% | 100% |
|------|------|------|------|------|------|

Profit & Loss Account

| | | | | | | |
|--|---------|---------|---------|---------|---------|---------|
| Sales - net | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| Cost of sales | 68.44% | 70.45% | 70.59% | 67.29% | 73.60% | 60.25% |
| Gross profit | 31.56% | 29.55% | 29.41% | 32.71% | 26.40% | 39.75% |
| Administration and general expenses | 7.96% | 7.37% | 8.74% | 9.11% | 9.89% | 9.09% |
| Other operating income | 13.18% | 9.55% | 10.79% | 16.08% | 19.77% | 18.53% |
| Other operating charges | 2.68% | 2.52% | 2.97% | 4.44% | 3.24% | 3.75% |
| Impairment loss on 'available for sale' investment | 0.00% | 0.00% | 0.00% | 0.00% | 0.21% | 0.14% |
| Operating profit | 34.10% | 29.21% | 28.49% | 35.23% | 32.84% | 45.30% |
| Finance costs | 1.25% | 1.90% | 3.29% | 2.75% | 0.49% | 0.16% |
| Profit before taxation | 32.85% | 27.31% | 25.21% | 32.48% | 32.35% | 45.14% |
| Taxation - net | 9.22% | 8.89% | 7.96% | 8.41% | 8.17% | 14.94% |
| Profit after taxation | 23.63% | 18.42% | 17.25% | 24.07% | 24.18% | 30.20% |



Statement of Compliance with the Code of Corporate Governance

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

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

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

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

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

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

Statement of Compliance with the Code of Corporate Governance

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



Statement of Compliance with the Code of Corporate Governance

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

On behalf of the Board of Directors

A handwritten signature in black ink, appearing to read 'Muhammad Misbah Tunio', with a long horizontal stroke extending to the right.

MUHAMMAD MISBAH TUNIO
Chief Executive Officer

Karachi
Dated: 31 July 2015



Financial Statements

For the Year ended 30 June 2015



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



Building a better
working world

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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Review report to the members on statement of compliance with the code of corporate governance

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

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended **30 June 2015**.


Chartered Accountants

Date: 31 July 2015

Place: Karachi

A member firm of Ernst & Young Global Limited

Auditors' Report to the Members



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

We have audited the annexed balance sheet of **Security Papers Limited** (the Company) as at **30 June 2015** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) In our opinion:
 - i) the balance sheet and profit and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for changes as stated in note 3.1 to the accompanying financial statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **30 June 2015** and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Shariq Ali Zaidi

Date: 31 July 2015

Karachi



Balance Sheet

As At 30 June 2015

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

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

Muhammad Misbah Tunio
Chief Executive Officer

Sheikh Mohammad Aijaz Akhtar
Director



Statement of Comprehensive Income

For the year ended 30 June 2015

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

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

Muhammad Misbah Tunio
Chief Executive Officer

Sheikh Mohammad Aijaz Akhtar
Director

Cash Flow Statement

For the year ended 30 June 2015

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

CASH FLOWS FROM OPERATING ACTIVITIES

| | | | |
|--|----|-----------|-----------|
| Cash generated from operations | 33 | 668,613 | 759,549 |
| Long-term deposits | | (487) | (202) |
| Taxes paid | | (203,125) | (195,739) |
| Finance costs paid | | (28,974) | (43,989) |
| Net cash generated from operating activities | | 436,027 | 519,619 |

CASH FLOWS FROM INVESTING ACTIVITIES

| | | | |
|---|--|-----------|-----------|
| Capital expenditure | | (118,333) | (161,706) |
| Proceeds from sale of property, plant and equipment | | 1,866 | 1,047 |
| Investment made during the year - net | | (154,674) | (97,591) |
| Mark-up received | | 192,422 | 165,164 |
| Net cash used in investing activities | | (78,719) | (93,086) |

CASH FLOWS FROM FINANCING ACTIVITIES

| | | | |
|--|--|-----------|-----------|
| Repayment of long term loan | | (161,214) | (161,214) |
| Payments against lease obligations | | (4,552) | (3,876) |
| Dividend paid | | (160,212) | (215,475) |
| Net cash used in from financing activities | | (325,978) | (380,565) |

Net increase in cash and cash equivalents

| | | | |
|--|--|---------|--------|
| | | 31,330 | 45,968 |
| Cash and cash equivalents at beginning of the year | | 83,213 | 37,245 |
| Cash and cash equivalents at end of the year | | 114,543 | 83,213 |

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



Muhammad Misbah Tunio
Chief Executive Officer



Sheikh Mohammad Aijaz Akhtar
Director



Statement of Changes in Equity

For the year ended 30 June 2015

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

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

Muhammad Misbah Tunio
Chief Executive Officer

Sheikh Mohammad Aijaz Akhtar
Director

Notes to the Financial Statements

For the year ended 30 June 2015

1. STATUS AND NATURE OF BUSINESS

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except that certain investments are carried at fair value and obligation in respect of gratuity scheme is measured at present value.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

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



Notes to the Financial Statements

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

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

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

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

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

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

Notes to the Financial Statements

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 New / Revised Standards, Interpretations and Amendments

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

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

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

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

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

IFRIC 21 – Levies

Improvements to Accounting Standards Issued by the IASB

IFRS 2 Share-based Payment - Definitions of vesting conditions

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

IFRS 3 Business Combinations - Scope exceptions for joint ventures

IFRS 8 Operating Segments – Aggregation of operating segments

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

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

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

IAS 24 Related Party Disclosures - Key management personnel

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

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



Notes to the Financial Statements

3.2 Property, plant and equipment

Owned

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

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

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

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

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

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

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

Leased

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

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

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

3.3 Borrowing cost

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

3.4 Financial instruments

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

Notes to the Financial Statements

Financial assets

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

(a) Held-to-maturity

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

(b) Loans and receivables

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

(c) Available for sale

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

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

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

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

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

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

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

Financial liabilities

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



Notes to the Financial Statements

Offsetting of financial assets and financial liabilities

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

3.5 Stores, spares and loose tools

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

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

3.6 Stock-in-trade

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

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

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

3.7 Trade debts and other receivables

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

3.8 Cash and cash equivalents

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

3.9 Trade and other payables

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

3.10 Provisions

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

Notes to the Financial Statements

3.11 Employee retirement benefits

The Company operates:

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

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

3.12 Employees' compensated absences

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

3.13 Mark-up bearing borrowings

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

3.14 Liabilities against assets subject to finance lease

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

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

3.15 Revenue recognition

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



Notes to the Financial Statements

3.16 Taxation

Current

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

Deferred

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

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

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

3.17 Expenses

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

3.18 Impairment

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

3.19 Foreign currency transactions

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

3.20 Proposed dividend and transfer between reserves

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

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

Notes to the Financial Statements

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

| 2015 | | | | | | | | | | | | | | |
|----------------------------------|----------|----------------|---------------|---------------------|------------------------------------|----------------------|------------------------|--------------------------------------|-------------------------------|------------------------------------|----------------|---------|----------|-------------|
| Land | | Buildings on | | Plant and machinery | Spare parts and stand-by equipment | Laboratory equipment | Furniture and fixtures | Electric, water and gas installation | Office and security equipment | Computers and computer accessories | Motor vehicles | | | |
| Leasehold | Freehold | Leasehold land | Freehold land | | | | | | | | Owened | Leased | Total | |
| (Rupees in '000) | | | | | | | | | | | | | | |
| At 1 July 2014 | | | | | | | | | | | | | | |
| Cost | 417 | 293 | 1,015 | 102,043 | 2,762,399 | 62,650 | 32,528 | 9,868 | 115,172 | 37,014 | 12,070 | 4,643 | 23,677 | 3,163,789 |
| Accumulated depreciation | - | - | (972) | (19,137) | (1,182,813) | (30,729) | (22,587) | (2,446) | (41,106) | (26,943) | (10,247) | (4,351) | (11,305) | (1,352,636) |
| Net book value | 417 | 293 | 43 | 82,906 | 1,579,586 | 31,921 | 9,941 | 7,422 | 74,066 | 10,071 | 1,823 | 292 | 12,372 | 1,811,153 |
| During the year | | | | | | | | | | | | | | |
| Additions | - | - | - | 33,729 | 110,415 | 6,053 | 111 | 2,912 | 76,290 | 2,463 | 1,109 | 150 | 3,846 | 237,078 |
| Disposals: | | | | | | | | | | | | | | |
| Cost | - | - | - | - | (95) | - | - | - | - | - | - | (125) | (3,508) | (3,728) |
| Depreciation | - | - | - | - | 95 | - | - | - | - | - | - | 114 | 3,121 | 3,330 |
| | - | - | - | - | - | - | - | - | - | - | - | (11) | (387) | (398) |
| Depreciation charge for the year | - | - | (25) | (2,893) | (165,980) | (15,793) | (1,982) | (580) | (7,761) | (3,260) | (1,091) | (177) | (4,361) | (203,903) |
| Closing net book value | 417 | 293 | 18 | 113,742 | 1,524,021 | 22,181 | 8,070 | 9,754 | 142,595 | 9,274 | 1,841 | 254 | 11,470 | 1,843,930 |
| At 30 June 2015 | | | | | | | | | | | | | | |
| Cost | 417 | 293 | 1,015 | 135,772 | 2,872,719 | 68,703 | 32,639 | 12,780 | 191,462 | 39,477 | 13,179 | 4,668 | 24,015 | 3,397,139 |
| Accumulated depreciation | - | - | (997) | (22,030) | (1,348,698) | (46,522) | (24,569) | (3,026) | (48,867) | (30,203) | (11,338) | (4,414) | (12,545) | (1,553,209) |
| Net book value | 417 | 293 | 18 | 113,742 | 1,524,021 | 22,181 | 8,070 | 9,754 | 142,595 | 9,274 | 1,841 | 254 | 11,470 | 1,843,930 |
| Depreciation rate % per annum | - | - | 2.5% | 2.5% | 6% | 25% | 10% | 6% | 6% | 15% | 25% | 20% | 20% | |

| 2014 | | | | | | | | | | | | | | |
|----------------------------------|----------|----------------|---------------|---------------------|------------------------------------|----------------------|------------------------|--------------------------------------|-------------------------------|------------------------------------|----------------|---------|----------|-------------|
| Land | | Buildings on | | Plant and machinery | Spare parts and stand-by equipment | Laboratory equipment | Furniture and fixtures | Electric, water and gas installation | Office and security equipment | Computers and computer accessories | Motor vehicles | | | |
| Leasehold | Freehold | Leasehold land | Freehold land | | | | | | | | Owened | Leased | Total | |
| (Rupees in '000) | | | | | | | | | | | | | | |
| At 1 July 2013 | | | | | | | | | | | | | | |
| Cost | 417 | 293 | 1,015 | 100,670 | 2,751,237 | 58,375 | 26,538 | 7,431 | 102,183 | 34,038 | 11,355 | 4,490 | 20,081 | 3,118,123 |
| Accumulated depreciation | - | - | (947) | (16,784) | (1,020,093) | (16,529) | (21,023) | (1,918) | (34,897) | (24,219) | (9,529) | (4,334) | (9,788) | (1,160,061) |
| Net book value | 417 | 293 | 68 | 83,886 | 1,731,144 | 41,846 | 5,515 | 5,513 | 67,286 | 9,819 | 1,826 | 156 | 10,293 | 1,958,062 |
| During the year | | | | | | | | | | | | | | |
| Additions | - | - | - | 1,373 | 12,174 | 4,275 | 5,990 | 2,437 | 12,989 | 3,041 | 924 | 322 | 7,020 | 50,545 |
| Disposals: | | | | | | | | | | | | | | |
| Cost | - | - | - | - | (1,012) | - | - | - | - | (65.00) | (209.00) | (169) | (3,424) | (4,879) |
| Depreciation | - | - | - | - | 1,012 | - | - | - | - | 65.00 | 209.00 | 167 | 2,951 | 4,404 |
| | - | - | - | - | - | - | - | - | - | - | - | (2) | (473) | (475) |
| Depreciation charge for the year | - | - | (25) | (2,353) | (163,732) | (14,200) | (1,564) | (528) | (6,209) | (2,789) | (927) | (184) | (4,468) | (196,979) |
| Closing net book value | 417 | 293 | 43 | 82,906 | 1,579,586 | 31,921 | 9,941 | 7,422 | 74,066 | 10,071 | 1,823 | 292 | 12,372 | 1,811,153 |
| At 30 June 2014 | | | | | | | | | | | | | | |
| Cost | 417 | 293 | 1,015 | 102,043 | 2,762,399 | 62,650 | 32,528 | 9,868 | 115,172 | 37,014 | 12,070 | 4,643 | 23,677 | 3,163,789 |
| Accumulated depreciation | - | - | (972) | (19,137) | (1,182,813) | (30,729) | (22,587) | (2,446) | (41,106) | (26,943) | (10,247) | (4,351) | (11,305) | (1,352,636) |
| Net book value | 417 | 293 | 43 | 82,906 | 1,579,586 | 31,921 | 9,941 | 7,422 | 74,066 | 10,071 | 1,823 | 292 | 12,372 | 1,811,153 |
| 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 | 2015 | 2014 |
|-------------------------------------|------|------------------------------|---------|
| | | ----- (Rupees in '000) ----- | |
| Cost of sales | 22 | 197,471 | 190,629 |
| Administration and general expenses | 23 | 6,432 | 6,350 |
| | | 203,903 | 196,979 |

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

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

4.3 Capital work-in-progress

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

Notes to the Financial Statements

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

The movement in capital work-in-progress is as follows:

| | | |
|-------------------------------------|------------------|---------|
| Balance as at beginning of the year | 118,583 | 402 |
| Additions during the year | | |
| - Plant and machinery | 43,471 | 57,709 |
| - Building | 23,241 | 16,627 |
| - Electric Water & Gas Installation | 19,835 | 40,430 |
| - Vehicle | 1,753 | - |
| - Others | 509 | 9,139 |
| | 88,809 | 123,905 |
| Transfers to operating fixed assets | | |
| - Plant and machinery | (105,645) | - |
| - Building | (31,789) | (1,199) |
| - Electric Water & Gas Installation | (63,567) | - |
| - Others | (2,707) | (4,525) |
| | (203,708) | (5,724) |
| Balance at end of the year | 3,684 | 118,583 |

5. LONG-TERM DEPOSITS

| | | | |
|-------------------|-----|---------------|--------|
| Security deposits | 5.1 | 15,048 | 14,561 |
|-------------------|-----|---------------|--------|

5.1 These include deposits amounting to Rs 11.661 million (2014: Rs 11.661 million) given to the K-Electric on which interest is received @ 5% per annum.

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

6. LONG-TERM INVESTMENTS

Held-to-maturity

| | | | |
|--------------------------|-----|------------------|-----------|
| Pakistan Investment Bond | 6.1 | 1,461,099 | 1,451,031 |
|--------------------------|-----|------------------|-----------|

6.1 These represent investments in Pakistan Investment Bonds (PIB's) carrying profit at a rate of 11.25% to 11.5% (effective yield of 11.97% to 12.96%) per annum with maturity in August 2016 and July 2018. The profit payments are made semi annually.



Notes to the Financial Statements

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

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

Notes to the Financial Statements

| | Note | 2015 ----- (Rupees in '000) ----- | 2014 (Restated) |
|---|------|--------------------------------------|--------------------|
| 10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES | | | |
| Advance to suppliers - unsecured and considered good | | 70,088 | 11,760 |
| Short-term deposits | | 3,960 | 585 |
| Short-term prepayments | | 2,087 | 696 |
| Loan to employees - considered good | 10.1 | 83 | 73 |
| Others | | 493 | 1,079 |
| | | <u>76,711</u> | <u>14,193</u> |
| 10.1 This represents loan provided to employees carrying interest at rate of 11% per annum with maturity up to 30 June 2016. | | | |
| 11. ACCRUED MARK-UP | | | |
| Pakistan Investment Bond | | 70,264 | 70,292 |
| Term Finance Certificates | | 2,559 | 3,906 |
| Security deposits | | 516 | 1,313 |
| Deposit and savings accounts | | 2 | 3 |
| | | <u>73,341</u> | <u>75,514</u> |
| 12. INVESTMENTS | | | |
| <i>Available for sale</i> | | | |
| Term finance certificates | | | |
| B.R.R. Guardian Modaraba | | | |
| 2,503 (2014: 3,149) units of Rs 5,000 each | 12.1 | 9,384 | 11,808 |
| Units of Mutual Funds | 12.2 | 825,276 | 222,563 |
| <i>Held to maturity</i> | | | |
| Treasury Bills | 12.3 | - | 361,905 |
| | | <u>834,660</u> | <u>596,276</u> |

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



Notes to the Financial Statements

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

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

| 13. CASH AND BANK BALANCES | 2015 | 2014 |
|----------------------------|------------------------------|--------|
| | ----- (Rupees in '000) ----- | |
| Cash in hand | 222 | 71 |
| With banks in: | | |
| - Current accounts | 172 | 51 |
| - Saving accounts | 101,566 | 71,550 |
| - Deposit account | 62 | 62 |
| - Dividend accounts | 12,521 | 11,479 |
| | 114,321 | 83,142 |
| | 114,543 | 83,213 |

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

| 14. TRADE AND OTHER PAYABLES | 2015 | 2014 |
|--|------------------------------|------------|
| | ----- (Rupees in '000) ----- | (Restated) |
| Creditors | 22,707 | 61,078 |
| Payable against purchase of operating fixed assets | 36,453 | 29,997 |
| Salaries, wages and benefits payable | 97,476 | 81,961 |
| Accrued compensated absences | 46,174 | 42,166 |
| Sales tax payable | 31,362 | 17,834 |
| Withholding tax payable | 9,516 | 9,124 |
| Provision for fire tax | 37,023 | 37,023 |
| Unclaimed dividend | 105,453 | 92,835 |
| Workers' welfare fund | 28,377 | 28,226 |
| Workers' profit participation fund | 37,746 | (1,145) |
| Advances from customers | 2,740 | 36,903 |
| Utilities | 23,758 | 18,175 |
| Payable to gratuity fund | 32,679 | 6,405 |
| Deposits repayable on demand | 7,105 | 5,430 |
| Others | 19,536 | 16,544 |
| | 538,105 | 482,556 |

Notes to the Financial Statements

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

14.1 Employees' compensated absences

| | | |
|--------------------------------|--------|--------|
| Balance at begning of the year | 42,166 | 36,212 |
| Charge for the year | 4,008 | 5,954 |
| Balance at end of the year | 46,174 | 42,166 |

14.2 Provision for fire tax

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

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

14.4 Workers' profit participation fund

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

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

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

15. SHORT TERM FINANCE AND OTHER FACILITIES

15.1 Running finance

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



Notes to the Financial Statements

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

15.2 Import letter of credit (sight / usance)

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

15.3 Letter of Guarantee Facility

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

| | 2015 ----- (Rupees in '000) ----- | 2014 ----- (Rupees in '000) ----- |
|--------------------------|--------------------------------------|--------------------------------------|
| Total facility available | 120,000 | 120,000 |
| Utilised facility | 40,982 | 21,562 |

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

16. LONG TERM LOAN - secured

| | 2015 ----- (Rupees in '000) ----- | 2014 ----- (Rupees in '000) ----- |
|--|--------------------------------------|--------------------------------------|
| Balance as at 1 July | 323,451 | 484,665 |
| Repayments during the year | (161,214) | (161,214) |
| | 162,237 | 323,451 |
| Current maturity shown under current liabilities | (120,988) | (161,214) |
| | 41,249 | 162,237 |

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

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

Notes to the Financial Statements

17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

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

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

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

19. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

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



Notes to the Financial Statements

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

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

20. CONTINGENCIES AND COMMITMENTS

| | Note | 2015 | 2014 |
|---|--------|------------------------------|---------------|
| | | ----- (Rupees in '000) ----- | ----- |
| 20.1 Contingencies | | | |
| Income tax | 20.1.1 | 10,221 | 10,221 |
| Claims against the Company not acknowledged as debt | 20.1.2 | 2,379 | 1,120 |
| Sales Tax on Services | 20.1.3 | 4,163 | - |
| | | 16,763 | 11,341 |

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

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

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

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

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

Notes to the Financial Statements

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

22.1 Employee retirement benefits

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



Notes to the Financial Statements

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

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

24. EMPLOYEE RETIREMENT BENEFITS

24.1 Gratuity

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

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

Notes to the Financial Statements

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

24.1.2 Amounts recognised in the balance sheet are as follows:

| | | | |
|--|--------|---------------|--------------|
| Present value of defined benefit obligations | 24.1.4 | 316,026 | 270,015 |
| Fair value of plan assets | 24.1.5 | (283,347) | (263,610) |
| Liability on balance sheet | | <u>32,679</u> | <u>6,405</u> |

24.1.3 Movement in net liability / (asset) recognised:

| | | |
|---|---------------|--------------|
| Opening net liability/(asset) | 6,405 | (12,878) |
| Expense recognized during the period | 18,185 | 19,519 |
| Other comprehensive income | 14,661 | 17,008 |
| Contributions and benefits paid on behalf of the fund | (6,572) | (17,244) |
| Closing net liability | <u>32,679</u> | <u>6,405</u> |

24.1.4 Movement in present value of defined benefit obligations

| | | |
|--------------------------------------|----------------|----------------|
| Opening present value of obligation | 270,015 | 260,080 |
| Current service cost | 4,763 | 8,390 |
| Interest cost | 13,421 | 11,129 |
| Benefits paid | (16,718) | (39,842) |
| Actuarial gain on obligation | 10,935 | (1,141) |
| Income distributed among the members | 33,610 | 31,399 |
| Closing present value of obligation | <u>316,026</u> | <u>270,015</u> |

24.1.5 Movement in the fair value of plan assets

| | | |
|-----------------------------------|----------------|----------------|
| Opening fair value of plan assets | 263,610 | 272,958 |
| Expected return on plan assets | 33,610 | 31,399 |
| Actuarial gain on plan assets | (3,725) | (18,149) |
| Benefits paid | (16,720) | (39,842) |
| Contribution by Company | 6,572 | 17,244 |
| Closing fair value of plan assets | <u>283,347</u> | <u>263,610</u> |

24.1.6 Expense recognised in the profit and loss account

| | | |
|----------------------------------|---------------|---------------|
| Current service cost | 4,763 | 8,390 |
| Net Interest cost | (20,188) | (20,270) |
| Income distributed among members | 33,610 | 31,399 |
| Cost for the year | <u>18,185</u> | <u>19,519</u> |

24.1.7 Return on plan assets is as follows:

| | | |
|--------------------------------|---------------|---------------|
| Expected return on plan assets | 33,610 | 31,399 |
| Actuarial gains on plan assets | (3,725) | (18,149) |
| Return on plan assets | <u>29,885</u> | <u>13,250</u> |



Notes to the Financial Statements

24.1.8 Plan assets comprised of following

| | 2015 | 2014 |
|--------------------------------------|----------------|-------------|
| Defence Saving Certificates (DSCs) | 19% | 18% |
| Regular Income Certificates (RICs) | 25% | 26% |
| Special Saving Certificates (SSCs) | 52% | 52% |
| Bank account and short-term deposits | 4% | 4% |
| | 100.00% | 100% |

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

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

24.1.10 5 years data on experience adjustments are as follows:

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

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

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

24.2 Defined contribution plan

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

Notes to the Financial Statements

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

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

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



Notes to the Financial Statements

26.1 Donation

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

| | Note | 2015 | 2014 |
|--|------|------------------------------|----------------|
| | | ----- (Rupees in '000) ----- | |
| 26.2 Auditors' remuneration | | | |
| Audit fee | | 635 | 605 |
| Review of half yearly financial statements | | 115 | 114 |
| Special certification, Code of Corporate Governance and other services | | 95 | 282 |
| Out of pocket expenses | | 162 | 207 |
| | | <u>1,007</u> | <u>1,208</u> |
| 27. FINANCE COSTS | | | |
| Interest / mark-up on: | | | |
| - long-term finance | | 23,718 | 39,165 |
| - short-term finance | | 760 | 676 |
| - finance leases | | 1,207 | 1,298 |
| - workers' profit participation fund | 14.4 | 142 | 217 |
| Bank charges | | 937 | 1,139 |
| | | <u>26,764</u> | <u>42,495</u> |
| 28. TAXATION - net | | | |
| Current | | | |
| - for the year | | 213,927 | 217,866 |
| - for prior year | | 4,508 | 8,242 |
| | | <u>218,435</u> | <u>226,108</u> |
| Deferred | | (21,048) | (27,294) |
| | | <u>197,387</u> | <u>198,814</u> |
| 28.1 Reconciliation between tax expense and accounting profit | | | |
| Accounting profit before taxation | | 703,301 | 610,671 |
| Tax on accounting profit @ 33% (2014: 34%) | | 232,089 | 207,628 |
| Rebates under section 61, 65A and 65B of the Ordinance | | (23,246) | (8,328) |
| Tax at reduced rate | | (4,969) | - |
| Tax effect of permanent differences | | 1,313 | 1,363 |
| Effect of reduction in tax rate | | (9,856) | (9,307) |
| Super tax | | 20,179 | - |
| Exempt income | | (12,042) | - |
| Tax effect of prior year | | 4,509 | 8,242 |
| Others | | (10,589) | (784) |
| | | <u>197,388</u> | <u>198,814</u> |
| Average rate of tax | | 28% | 33% |

Notes to the Financial Statements

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

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

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

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

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

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

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



Notes to the Financial Statements

29. EARNINGS PER SHARE

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

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

30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

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

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

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

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

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

Notes to the Financial Statements

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.
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- The CIR (A) has directed the Tax officer to dispose off the rectification application of the company relating to the allowability of credit for taxes paid at Rs 37.059 million allowed in the amended order as against the claim of Rs 37.331 million.

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

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

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

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



Notes to the Financial Statements

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|--|--------------------------------------|--------------------------------------|
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| | (Number of shares) | (Restated) |
| Weighted average number of ordinary shares | 59,255,985 | 59,255,985 |
| | (Rupees) | (Restated) |
| Earnings per share - basic and diluted | 8.54 | 6.95 |

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

30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

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

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

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

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

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

Notes to the Financial Statements

31. TRANSACTIONS WITH RELATED PARTIES

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

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



Notes to the Financial Statements

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

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

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

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

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

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

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

Notes to the Financial Statements

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

34. FINANCIAL INSTRUMENTS

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

- Credit risk
- Liquidity risk
- Market risk

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

34.1 Credit risk

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

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

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

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



Notes to the Financial Statements

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

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

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

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

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

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

Notes to the Financial Statements

| | 2015 ----- (Rupees in '000) ----- | 2014 |
|-----------------|--------------------------------------|-------|
| Opening balance | 1,904 | 1,904 |
| Written off | (1,904) | - |
| Closing balance | - | 1,904 |

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

34.2 Liquidity risk

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

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

| | 2015 | | | | | |
|---|------------------------------|---------------------------|-----------------------|-------------------------|---------------------|----------------------|
| | Carrying amount | Contractual cash flows | Six months or less | Six to twelve months | One to two years | Two to five years |
| | ----- (Rupees in '000) ----- | | | | | |
| Financial Liabilities | | | | | | |
| Long term loans | 162,237 | (171,498) | (76,594) | (52,257) | (41,404) | (1,243) |
| Trade and other payables | 420,377 | (432,652) | (385,556) | (11,544) | (35,553) | - |
| Liabilities against asset subject to finance lease | 14,469 | (16,985) | (2,445) | (2,231) | (4,046) | (8,263) |
| Accrued mark up | 1,474 | (1,474) | (1,474) | - | - | - |
| | 598,557 | (622,609) | (466,069) | (66,032) | (81,003) | (9,506) |

| | 2014 | | | | | |
|---|------------------------------|---------------------------|-----------------------|-------------------------|---------------------|----------------------|
| | Carrying amount | Contractual cash flows | Six months or less | Six to twelve months | One to two years | Two to five years |
| | ----- (Rupees in '000) ----- | | | | | |
| Financial Liabilities | | | | | | |
| Long term loans | 323,451 | (363,345) | (96,109) | (91,860) | (132,101) | (43,275) |
| Trade and other payables | 385,208 | (385,208) | (385,208) | - | - | - |
| Liabilities against asset subject to finance lease | 15,175 | (18,146) | (2,884) | (3,006) | (7,564) | (4,692) |
| Accrued mark up | 3,686 | (3,686) | (3,686) | - | - | - |
| | 727,520 | (770,385) | (487,887) | (94,866) | (139,665) | (47,967) |



Notes to the Financial Statements

34.3 Market risk

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

34.3.1 Currency risk

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

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

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

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

The following significant exchange rates have been applied:

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

Sensitivity analysis

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

Notes to the Financial Statements

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

34.3.2 Interest rate risk

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

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

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.



Notes to the Financial Statements

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

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

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

34.4 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair value hierarchy

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

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

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

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

Notes to the Financial Statements

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

35. OPERATING SEGMENTS

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

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

36. CAPITAL RISK MANAGEMENT

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

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

37. CORRESPONDING FIGURES

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



Notes to the Financial Statements

38. GENERAL

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

Muhammad Misbah Tunio
Chief Executive Officer

Sheikh Mohammad Aijaz Akhtar
Director

Pattern of Shareholding

As At 30 June 2015

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



Pattern of Shareholding As At 30 June 2015

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

Pattern of Shareholding As At 30 June 2015

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



Company Information

BOARD OF DIRECTORS

Non-executive Directors

Chairman

Mr. Kazi Abdul Muktadir

- Nominee - PSPC

Directors

Sheikh Mohammad Aijaz Akhtar

- Elected & Independent

Mrs. Ayla Akin - Turkey

- Nominee - SHAS

Mr. Jamal Nasim

- Elected - NIT

Mr. Ajaz Ali Khan

- Elected - SLIC

Dr. Abolghassem Jamshidi - Iran

- Nominee - IDRO

Mr. Muhammad Ayub

- Elected - PPCBL

Ch. Mehboob Ilahi

- Nominee - PSPC

Mr. Shamsuddin Soomro

- Nominee - PSPC

Executive Director

Chief Executive Officer

Mr. Muhammad Misbah Tunio

- Nominee - PSPC

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

BOARD AUDIT COMMITTEE

Sheikh Mohammad Aijaz Akhtar

- Chairman

Independent Director

Mr. Kazi Abdul Muktadir

- Member

Non-executive Director

Dr. Abolghassem Jamshidi

- Member

Non-executive Director

Mr. Muhammad Ayub

- Member

Non-executive Director

Mr. Babar Aijaz

- Secretary

Senior Manager (Internal Audit)

BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Ajaz Ali Khan

- Chairman

Non-executive Director

Mr. Jamal Nasim

- Member

Non-executive Director

Mr. Muhammad Misbah Tunio

- Member

Chief Executive Officer

Qazi Syed Imran Azam

- Secretary

General Manager (HR&A)

Company Information

BOARD INVESTMENT COMMITTEE

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

- Chairman
- Member
- Member
- Secretary

MANAGEMENT AND STRATEGIC PLAN COMMITTEE

Chairman:

Mr. Muhammad Misbah Tunio

Members:

Mr. Rizwan Ul Haq Khan
Mr. Muhammad Abdul Aleem
Mr. Faiz-Ul-Islam
Mr. Khalil Ahmed
Qazi Syed Imran Azam
Mr. Saadat Ali
Mr. Muhammad Abdul Qadir Jilani
Mr. Imad Ahmed Khan
Mr. Babar Aijaz
Mr. Abrar Hussain

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

BANKERS

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

AUDITORS

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

LEGAL ADVISORS

Mohsin Tayebaly & Co.
Advocates & Legal Consultants

REGISTERED OFFICE

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

FACTORY

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

TAX CONSULTANTS

A. F. Ferguson & Co.
Chartered Accountants

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



Notice of Annual General Meeting

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

A. ORDINARY BUSINESS

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

B. SPECIAL BUSINESS

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

"SPECIAL BUSINESS

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

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

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

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

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

Karachi,
31 July 2015

By Order of the Board

(Muhammad Abdul Aleem)
Company Secretary

Notice of Annual General Meeting

NOTES:

1. Closure of Share Transfer Books

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

2. Participation in the Annual General Meeting

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

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

A. For Attending the Meeting:

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

B. For Appointing Proxies:

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

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

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

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



Notice of Annual General Meeting

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

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

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

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

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

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

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

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

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

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

5. Dividend Mandate (Optional)

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

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

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

Notice of Annual General Meeting

6. Payment of Cash Dividend Electronically (Optional)

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

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

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

8. Change of Address

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

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

Form of Proxy

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

Signed this _____ day of _____ 2015.

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

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

**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.



Security Papers
LIMITED

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

REGISTERED OFFICE & SHARES DEPARTMENT:

Jinnah Avenue, Malir Halt, Karachi-75100.

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

FACTORY: Jinnah Avenue, Malir Halt, Karachi-75100

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