ANNUAL REPORT TWO THOUSAND 09

Security Papers LIMITED

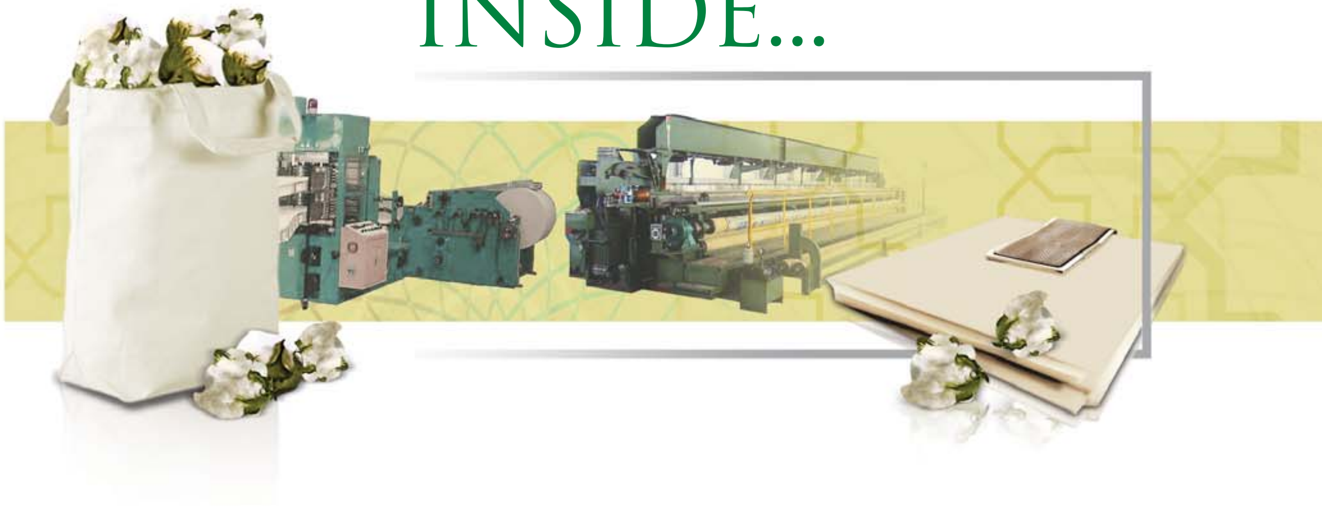
ISO 9001:2008 &
ISO 14001:2004 Certified

Security Papers LIMITED

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	2001
Start of Commercial Production of PM-2	2003
Formal inauguration of PM-2 by the Prime Minister	2004

INSIDE...

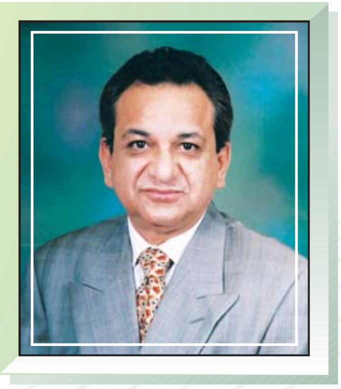


B.O.D.

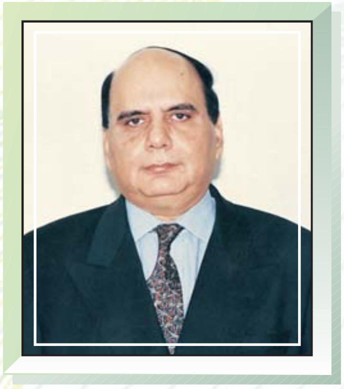
Security Papers LIMITED

BOARD OF DIRECTORS

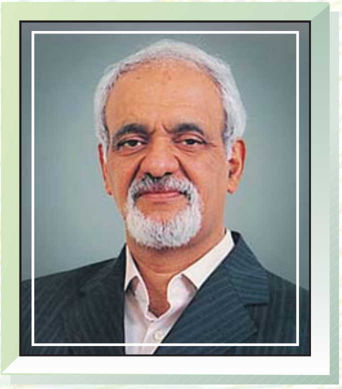
Naiyer Muzafar Husain
Chairperson & Chief Executive



Mustapha A. Chinoy

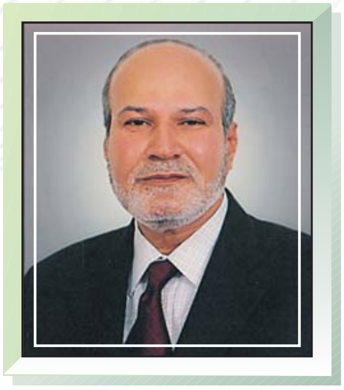


Firasat Ali

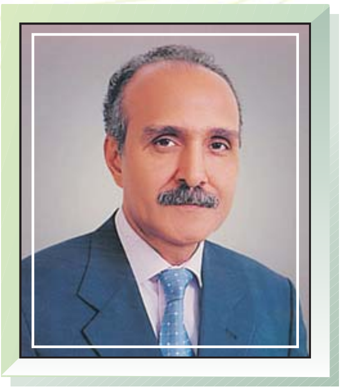


Mehdi Lori Amini

Nargis Ghaloo

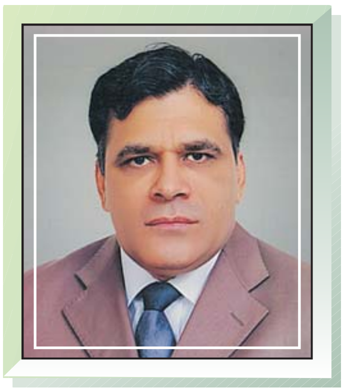


Sheikh Mohammad Aijaz Akhtar



Hasan Irfaan

Ayla Akin



A. Akbar Sharifzada

Corporate Awards

Top Companies Award of the
Karachi Stock Exchange
for the year 2006 and 2007

CORPORATE AWARDS

26th Corporate Excellence Award of
The Management Association of Pakistan

Best Corporate Report Award 2008

CHAIRPERSON'S REVIEW

It is my pleasure to present to you the Annual Report on the performance of the Company for the year ended June 30, 2009.

The Company has successfully managed to perform steadily despite globally prevailing economic, financial and political crises and also domestic security challenges. I am happy to report that because of efficient management of its resources, the Company is barely affected by these crises. The strategic operational, financial and marketing management of the business has enabled the Company to achieve the envisioned objectives.

Production Activities

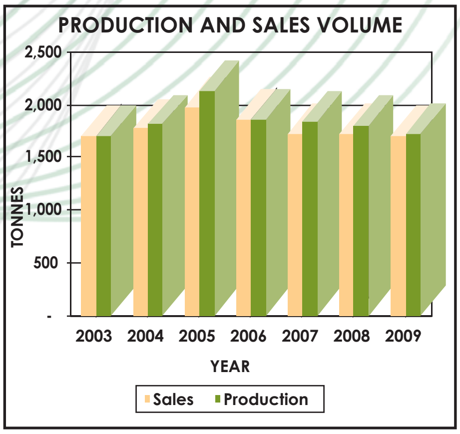
The production targets during the year have been achieved satisfactorily against the sales orders from our customers, meeting their quality parameters on new Banknote Paper Machine PM-2. Its performance has remained up to the mark in terms of quality, quantity and overall efficiency and no major operational problem was faced.

Keeping in view the overall objective of maintaining high level of quality, delivery reliability and competitiveness, all production processes are closely monitored, corrective actions are immediately taken, areas of improvements are identified, analysis are conducted and preventive measures are planned and implemented accordingly.

Operational Performance

Production

The Company's production during the year was 1,724 tonnes as against 1,798 tonnes in the previous year. The marginal decrease of 74 tonnes (4.11%) was mainly due to the extended scheduled maintenance of the plant.



Sales

The sales during the year under review has increased by Rs 105 million as compared to previous year mainly due to collective contribution by all business units and increase in product pricing. The Company achieved a sales volume of 1,708 tonnes as against 1,732 tonnes during the corresponding period. The marginal decrease is due to lower demand.

Product Diversification

In order to optimize the production capacity and increase absorption of fixed overheads, it has been our endeavor to widen the product base. Trial runs have been successfully conducted on new product range of sensitized paper. Certain modifications are required in existing plant to be able to produce new range of paper, for which technical details have been finalized with the machinery supplier and order for necessary modification is being processed. It is hoped that during the next financial year sensitized paper will be added in our product range.

Up-gradation of the Plant

In order to complete the phases of up-gradation of the plant, the Company is now undertaking a number of projects. These include replacement of 40 years old pulping plant with the latest technology pulping plant, installation of surface inspection system, further up-gradation of mould shop and online monitoring & control systems for certain quality parameters. This up-gradation will on one-hand ensure continuity and sustainability of existing plant and on the other hand will increase the capacity of pulp making, to match with the extendable capacity of PM-2. This will further improve the quality parameters of paper and help in substantially reducing the rejects. The up-gradation will enable SPL to emerge as one of the most modern security paper mills in the region and enhance the chances to enter into export market.

Co-generation Power Project

The installation of 2.8 Mega Watt Co-generation Power Plant has been completed, waiting for gas supply. This project will help in substantially reducing the production breakdown and improve overall efficiency of the plant.

Quality and Environmental Management System

The Company has always endeavored to focus all its energy to achieve increased customer satisfaction by ensuring conformance to customer's specification and its continuous assurance, which has been made an integral part of Quality Management System.

The Company is also committed to provide safe and environmental friendly atmosphere not only to its employees but also to the community by ensuring compliance to National Environmental Quality Standards (NEQS). The Company is putting all its efforts to monitor all its processes which may pollute the environment and control and mitigate any environmental impacts.

Recently the existing integrated management systems of Quality and Environment of ISO 9001: 2000 and ISO 14001: 2004 have been upgraded to ISO 9001: 2008 and ISO 14001: 2004. During the year the Company has been awarded certification by SGS in respect of above upgraded Quality & Environmental Management System. This also shows Company's commitment towards quality and environmental standards.


SGS

Certificate SG06/00813

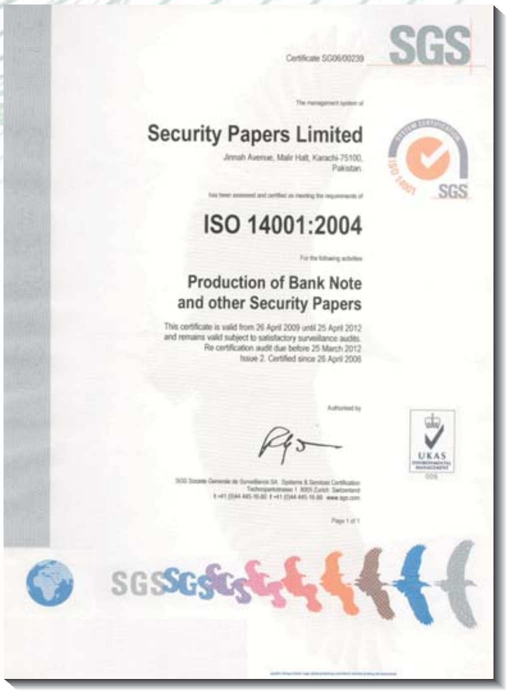
Security Papers Limited

Jinnah Avenue, Malir Halt, Karachi-75100, Pakistan.

ISO 9001:2008

Production of Bank Note and other Security Papers

This certificate is valid from 03 April 2009 until 02 April 2012 and remains valid subject to satisfactory surveillance audits. Re certification audit due before 02 March 2012 Issue 2. Certified since 03 April 2006


SGS

Certificate SG06/00239

Security Papers Limited

Jinnah Avenue, Malir Halt, Karachi-75100, Pakistan.

ISO 14001:2004

Production of Bank Note and other Security Papers

This certificate is valid from 26 April 2009 until 25 April 2012 and remains valid subject to satisfactory surveillance audits. Re certification audit due before 25 March 2012 Issue 2. Certified since 26 April 2006

Research & Development

The Company is concentrating on the area of Research and Development (R&D). The aim is to reduce the process losses of the plant and increase the profitability of the product with complete adherence of the customer requirements.

The Company is determined to keep abreast with new developments and paper producing technologies by particularly focusing on the use of indigenous material, invest in R&D on products & processes to meet future challenges.

Business Process Re-engineering

It has always been our endeavor to bring the innovation of appropriate technology in its business strategies and processes. Therefore, on the one hand, the Company is directing its focus to modernize its various production processes through up-gradation of the plant and on the other hand trying to induct professional staff in all the disciplines in order to optimize on the new processes. This will ultimately improve its product quality, security and customer satisfaction and confidence.

Safety and Security

The assets and products of the Company bear national importance. Therefore, we always remain responsive to the prevailing safety and security situation in the country as well as that surrounding within and outside our production facilities.

During the year we have adopted new technology and also upgraded our existing security system to keep pace with the world wide advancements in safety and security field. The steps taken are aimed to enhance trust and confidence of our valued stakeholders while also meeting international standards. Therefore, the enduring benefits of these actions more than justify the investments made by the Company on this account.

Contribution to the national exchequer and the economy of the country

During the year under review the Company made contribution to national exchequer by way of taxes, levies, sales tax etc. amounting to Rs 308 million as compared to Rs 221 million during the previous year. In addition, the Company has also made foreign exchange savings of US$ 13.94 million (approx.) through import substitution this year as compared to US$ 16.5 million during the corresponding period.

Credit Rating

JCR-VIS Credit Rating Company (JCR-VIS) has reaffirmed medium to long term entity rating of "AAA" (Triple A) and short term rating of "A1+" (A one plus).

The outlook on the medium to long term rating is "stable" which denotes very low expectation of credit risk and a very strong capacity for timely payment of financial commitments.

Risks and Challenges

The business environment of the country is facing unprecedented challenges both global and domestic in the form of widespread recession and financial crises. The level of Company's profitability will remain subject to rising operational costs and high inflation rate which are unavoidable factors.

However, the Company is determined to face the challenges by improving operational efficiencies, expanding product base and reinforcing cost saving measures to mitigate pressure on costs and funds management.

Information Technology

Information technology is considered as a core activity for attaining business growth and progress. The Company has an in house developed IT system which integrates all business processes.

IT function is the driving force in providing quality and timely support to all of the operating business areas of the Company to enhance their productivity, effectiveness and decision making capabilities to support consistent growth of the Company. The implementation of Oracle based applicantion is aimed at sustaining the current business growth and future business progress.

Internal Audit

The internal audit function assists the Board Audit Committee (BAC) and the Board in fulfilling their responsibilities. The role of internal audit function is to review and report on internal controls, financial risks, financial reporting, compliance with laws and regulations and any other area identified by the BAC for investigation, compliance or control review.

Internal audit reports are thoroughly reviewed by the BAC and every effort is made to eliminate weaknesses in systems and procedures.

Corporate Excellence Award

The Company is proud recipient of Management Association of Pakistan (MAP) 26th Corporate Excellence Award in the Miscellaneous Sector. The Company has received the award for the third consecutive year.

The award manifests company's commitment to quality, maintenance of highest professional standards and constant strive to achieve excellence in all spheres of its activity.

This award, instituted by MAP, in 1982 aims to recognize and distinguish quality of management practices of the companies in different areas like Corporate Governance, Strategic Planning, Leadership, Social Responsibility, Customer & Market Focus, Human Resource Focus and Management Information System.

Best Corporate Report Award

The Annual Report - 2008 of the Company has been selected amongst top five companies in "Miscellaneous" sector for the Best Corporate Report Award - 2008. The selection was made out of about 650 Companies listed on the Stock Exchanges of Pakistan. The Joint Committee of the Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost & Management Accountants of Pakistan (ICMAP) has instituted this Award.

The selection is based on comprehensive criteria, which requires inclusion of detailed information in the Annual Report on the subjects of Corporate Objectives, Directors' Report, Disclosure, Shareholder Information, Report Presentation and Corporate Governance.

Corporate Governance Rating

Being among the first in Pakistan, the Company voluntarily offered itself for corporate governance rating in the year 2003-04 and is maintaining the said rating since then.

During the year under review, JCR-VIS Credit Rating Company Limited has reaffirmed the Corporate Governance Rating of the Company at CGR-8 denoting 'high level of corporate governance'. This rating is based on a scale ranging from CGR-1 (lowest) to CGR-10 (highest).

Corporate Governance Ratings are based on a composite evaluation of the level of Regulatory Compliance, Board of Directors, Executive Management, Financial Transparency, Self Regulation, Stakeholder Relations and Ownership structure.

Top Companies Award

During the year under review the Company has received Top Companies Award by the Karachi Stock Exchange for the year 2006 and 2007. These awards were declared in the year 2007-08 and were reported in the Annual Report 2008. The Company has this distinction for the eighth consecutive year that is from the year 2000 to 2007. SPL is determined to continue achieving this award in future also.

The award is conferred on the basis of highest marks obtained in relation to Distribution to Shareholders, Return on Equity, Turnover of Shares, Number of Shareholders, Corporate Social Contribution / Monetary Donation and Good Corporate Governance / Compliance with Code of Corporate Governance.

Social Responsibilities

The Company has responded to the nation's call in respect of massive humanitarian crises encountered during the year. Accordingly, the Company has donated in "Prime Minister's Special Fund for Victims of Terrorism."

We are determined to remain a good corporate citizen. During the year under review donations were made to various established and well known registered institutions providing noble services to the welfare of society. The recipients of donation are SOS Children's Villages of Pakistan - located in the surrounding of the factory, The Layton Rahmatulla Benevolent Trust and Ida Rieu Welfare Association. New addition of recipients during the year is Sindh Institute of Urology & Transplantation, Friends of Burns Centre and Care-n-Cure.

In addition, financial assistance is made available to the children of the employees under a separate welfare scheme.

Safety, Health and Environment

The Company is committed to ensure safer and environmental friendly operations, products and services. We mitigate the environmental impacts through effective implementation of ISO 14001:2004 to comply applicable laws and regulations. Certification of the Company in accordance with the ISO 14001:2004 EMS and ISO 9001:2008 QMS demonstrate management's commitment towards excellence throughout all the processes including safety, health, environment and quality.

The Company is moving ahead with commitment to achieve further milestones. We make objective based efforts for reducing unsafe and unhealthy work practices/conditions. Hazards identification and Risk assessment has been done and reviewed when required. Incident/Accident analysis and follow-up for corrective/preventive measures are taken to reduce accidents. Comprehensive training is imparted to our employees in the area of OHSAS. Fire Fighting System is available with all necessary facilities to tackle any emergency. Medical checkup of employees is regularly carried out. The Government of Pakistan has also declared the year 2009 as national year of environment which aims at developing forest resources through international competition.

HR & Administration

In the fall of 2008-09, HR once again continued to ensure that on the job training and orientation programs were conducted for new employees and continuously improve the motivational level of employees and also control on employee turnover ratio.

Chairperson's Review

Recruitment, as a Human Resource function, is one of the activities that impact most critically on the performance of an organization while it is understood and accepted that poor recruitment decision continue to affect organizational performance and limit goal achievement.

During the year Human Resource department coordinated the achievement of the SPL Employment Plan with speedy recruitment process.

Human Resource department played vital role by achieving the re-certification of ISO 9001:2008 (Quality Management System) and certification of ISO 14001:2004 (Environmental Management System) to provide the training to concerned employees internally/externally. The Company owes this achievement to the commitment, dedication and hard work of its employees and firm commitment of top management.

Training and Personnel Development

Training and personnel development is an important goal of our Human Resource department to improve the performance of employees.

It is important that a business provides training that is consistent with the business strategy. The main steps in developing a training strategy for our employees are as follows:

- Identify the skills and ability needed by the employee.
- Draw up an action plan to show how investment in training and development will be held to meet goals and objectives.
- Implementing plan, monitoring progress and training effectiveness.

Benefits of training to our employees and business are:

- Better productivity
- Higher Quality
- More flexibility
- Less supervision
- Help in achieving change

Acknowledgement

I am grateful for the support and guidance of the Board of Directors and the Board Committees. I am also thankful for the co-operation of all the officers, staff and workers of the Company in achieving strategic goals. Thanks are also due to shareholders, customers, bankers and other stakeholders for reposing their trust and confidence in the Company.

MRS. NAIYER MUZAFAR HUSAIN
Chairperson & Chief Executive

Karachi

Dated: July 30, 2009

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 June 30, 2009.

Financial Results

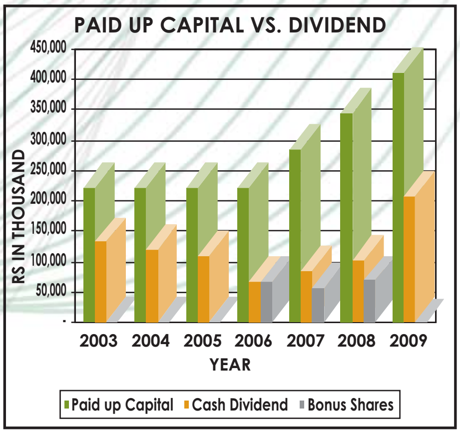
The operating results of the Company for the year ended June 30, 2009 are summarized as follows:

	2009	2008
	(Rupees in thousand)	
Profit before taxation	**493,211**	477,452
Taxation		
Current - for the year	**117,953**	140,142
Current - for prior Year	**802**	10,860
	118,755	151,002
Deferred	**42,301**	29,029
	161,056	180,031
Profit after taxation	**332,155**	297,421

Subsequent Appropriations

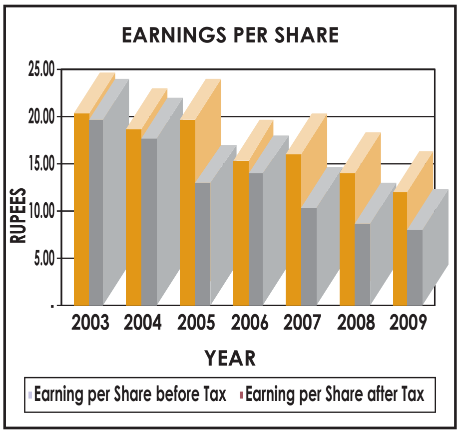
The Directors have recommended final cash dividend of Rs 5/- per share, i.e. 50% (2008: (i) Rs 3/- per share, i.e. 30% and (ii) bonus shares two for every ten shares held, i.e. 20%) and appropriation of Rs 126.50 million (2008: Rs 125.96 million) to revenue reserves.

These appropriations will 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 are Rs 11.99 and Rs 8.07 (2008 Rs 11.60 and Rs 7.23) respectively.



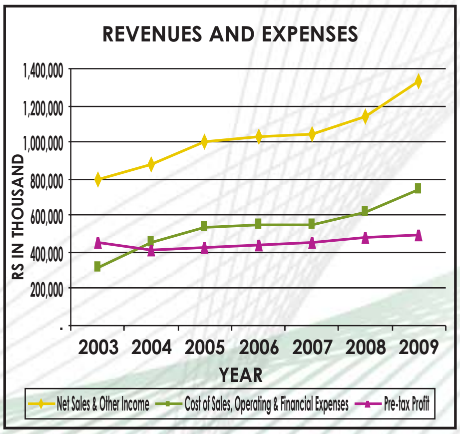
Operating Results

A comparison of the operating results of the Company for the year ended June 30, 2009 with the same period last year is as under:

The increase in sales value is Rs 105 million over last year mainly because of increase in product price.

Gross profit for the year reported to be Rs 460.26 million which in terms of percentage worked out to be 40.76% of sales compared to Rs 466.50 million in the corresponding period which worked out to be 45.55% of sales. The gross profit decreased marginally due to increase in production costs during the year.

The profit before taxation during the year was Rs 493.21 million as compared to Rs 477.45 million during the corresponding period. After tax profit reported to be Rs 332.15 million as compared to Rs 297.42 million in the preceding year.

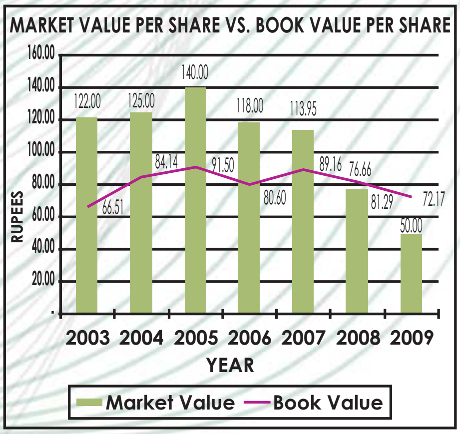


The earnings per share (EPS) reported to be Rs 8.07 for the year under review as compared to Rs 7.23 in the previous year.

Market and book value per share

The book value per share stood at Rs 72.17 against Rs 67.74 in the previous year. The before and after tax return on equity was 16.60% and 11.18% compared to 17.13% and 10.67% in the corresponding period respectively.

The average market price during the year remained at Rs 59.50 (2008: Rs 109.40) per share. The market price as of June 30, 2009 was Rs 50.00 (2008: Rs 76.66).



Cash Flow Management

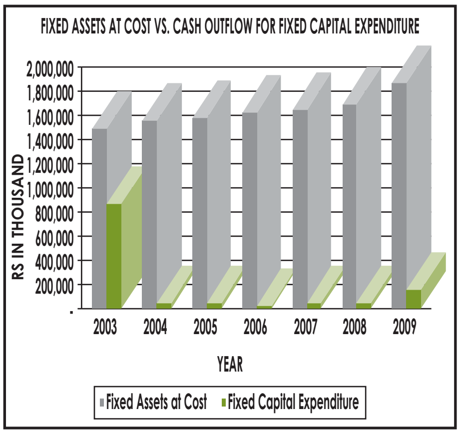
During the year under review the Company made an outlay of Rs 164.11 million (2008: 54.65 million) on account of capital expenditure and invested surplus funds in the Short Term Deposits, Treasury Bills and National Saving Schemes in order to maximize the yield with minimum risk.

Long term Debt-equity and Current Ratios

The long term debt-equity and the current ratios of the Company as at June 30, 2009 were 2:42 and 6.43:1 (2008: 2:58 and 6.36:1) respectively.

Material Changes and Commitments

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



Financial Statements

The Auditors of the Company, M/s. KPMG Taseer Hadi & Co. Chartered Accountants audited the financial statements of the Company and have issued an unqualified report to the members.

Auditors

The present auditors, M/s. KPMG Taseer Hadi & Co. Chartered Accountants, retire at the conclusion of the Annual General Meeting. Being eligible, they have offered themselves for re-appointment.

Board Changes

There were no Board changes during the year and therefore, all members of the Board are the same as reported in the previous report.

Compliance with the Code of Corporate Governance

The "Statement of Compliance with the Code of Corporate Governance" is annexed (page 47).

Statement on Corporate and Financial Reporting Framework

a. The financial statements prepared by the management of the Company, present fairly the state of affairs, 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. International Financial Reporting Standards, as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
e. The system of internal control is sound in design and has been effectively implemented and monitored.
f. There are no significant doubts upon the Company's ability to continue as a going concern.
g. There has been no material departure from the best practices of corporate governance as detailed in the Listing Regulations.
h. Key operating and financial data for last six years in summarized form is annexed (page 32).
i. Outstanding taxes and levies have been adequately disclosed in the annexed audited financial statements.
j. The following is the value of investments based on respective latest audited accounts: (i) Provident Fund Rs 227.75 million (ii) Gratuity Fund Rs 162.72 million.
k. During the year five (5) meetings of the Board of Directors were held. Attendance by each Director was as follows:

Name of Directors	No. of Meetings Attended
Mrs. Naiyer Muzafar Husain	5
Mr. Mustapha A. Chinoy	4
Mr. Firasat Ali	4
Mr. Mehdi Lori Amini - (Iran)	4
Ms. Nargis Ghaloo	4
Sheikh Mohammad Aijaz Akhtar	2
Mr. Hasan Irfaan	4
Mrs. Ayla Akin - (Turkey)	--
Mr. A. Akbar Sharifzada	3

l. The pattern of shareholding is annexed (page 86).
m. No trading in SPL's shares was carried out by its directors, CEO, CFO, Company Secretary and their spouses and minor children.

DIRECTORS' REPORT

The Economy

Pakistan's economy weathered an unprecedented set of challenges during 2008-09. Real GDP growth in the outgoing year is now estimated at 2 percent, compared to revised 4.1 percent in the previous fiscal year, with the commodity producing sector recording a rise of only 0.2 percent - the lowest since 1992-93. Gross fixed investment declined substantially, from 20.4 percent of GDP in 2007-08 to 18.1 percent provisionally in 2008-09, with a significant fall in investment by the private sector.

Agriculture sector has depicted a stellar growth of 4.7 percent as compared to 1.1 percent witnessed last year and a target of 3.5 percent for the year. The important crop cotton, with 7.4 percent stake in agriculture and 22.7 percent in value addition of major crops, grew modestly by 1.4 percent and its production at 11.8 million bales is below par. Large scale manufacturing which accounts for 12.1 percent stake in GDP faced the most difficult period of its recent history and depicted a negative growth of 7.67 percent during July-March 2008-09 compared to 4.0 percent positive growth in the same period last year. However, paper and board sector showed a positive growth of 2.9 percent. The services sector grew by 3.6 percent against the target of 6.1 percent and actual outcome of 6.6 percent. The services sector has made a contribution of 96 percent to the GDP growth. Per capita income in dollar terms rose from US$ 1042 last year to US$ 1046 in 2008-09, thereby showing marginal increase of 0.3 percent.

Future Prospects and Outlook

The business environment is likely to remain challenging. It is hoped that the economy will show improvement and the targets set for the ongoing year are met by the Government. It is expected that there will be no adverse policy shift of the Government.

The Company on its part is directing its resources towards sustainable development. The projects of capacity expansion, products diversification and plant up-gradation are meant to meet the said objective. A good cotton crop and availability of cotton and cotton based raw material in the market are enabling factors. Our focus will remain on further improving operational efficiencies and withstand the challenges to achieve company's objectives and deliver value to our customers and shareholders.

With the foregoing, your Directors are optimistic for a steady level of profitability and prosperity.

Chairperson's Review

The Board of Directors endorses the contents of the Chairperson's Review annexed (page 08).

On behalf of the Board of Directors

MRS. NAIYER MUZAFAR HUSAIN
Chairperson & Chief Executive

Karachi
Dated: July 30, 2009

Profile of the Members of the Board of Directors

MRS. NAIYER MUZAFAR HUSAIN
Chairperson & Chief Executive

Being nominee of Pakistan Security Printing Corporation (Pvt.) Limited (PSPC), Mrs. Naiyer Muzafar Husain was appointed to the Board of Directors in 2000 and Managing Director in 2008. She is also Chairperson of: (i) Board Human Resource & Compensation Committee and (ii) Board Investment Committee.

She holds Masters Degree in Pakistan Studies.

Mrs. Naiyer has over 30 years experience in various government departments such as Ministry of Finance & Economic Affairs Division. Manager (Foreign Aid) Civil Aviation Authority (CAA), Chief of Foreign Aid, Planning & Development Department, Government of Sindh. Director Finance & Air Transport CAA.

Other Directorships: Chairperson & Managing Director: (i) PSPC, and (ii) SICPA Inks Pakistan (Pvt.) Limited.

MR. MUSTAPHA A. CHINOY
Non-Executive Director

Mr. Mustapha A. Chinoy was elected to the Board of Directors in 1996.

Being Non-Executive Director, he is also: (i) Chairman of Board Audit Committee (ii) Member of Board Human Resource & Compensation Committee and (iii) Board Investment Committee.

He is Bachelor of Science in Economics from Wharton School of Finance, University of Pennsylvania, USA.

He has vast experience of trade & industry. He has worked with M/s. Checchi & Company Washington DC and has been Assistant to the President Hollywood Sporting Goods, Los Angeles; he is currently Chief Executive of Intermark (Private) Limited, dealing in Test & Measurement equipment and Training Aids & Teaching System. He is presently Honorary Consul General of Greece in Karachi.

Other Directorships: Chairman: Galileo Pakistan (Pvt.) Limited, Director: (i) International Industries Limited (ii) Pakistan Cables Limited (iii) Intermark (Pvt.) Limited and (iv) Global E Committee (Pvt.) Limited. He has also served on the Board of Union Bank Limited upto the point of its sell off to Standard Chartered Bank.

PROFILE OF THE MEMBERS OF THE BOARD OF DIRECTORS

MR. FIRASAT ALI
Non-Executive Director

Mr. Firasat Ali was elected to the Board of Directors in 2001.

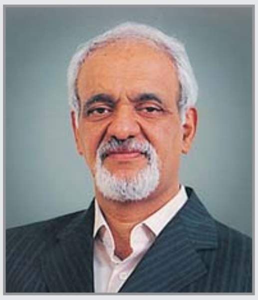
He is a Non-Executive Director, being nominee of National Investment Trust Limited (NIT), he is also Member of Board Human Resource & Compensation Committee.

He is M.A. (Economics) from Government College - Lahore, M.A. Agriculture Economics - Leeds UK, and attended Courses in Development Economics in New York, USA.

Mr. Firasat Ali has more than 30 years of experience and is at present Head of Marketing in National Investment Trust Limited. He has worked with UNDP, USAID, World Bank, Asian Development Bank, Agha Khan Rural Support Programme (AKRSP) etc. as advisor and consultant before joining NIT, he was working as Executive Director, Board of Development and Trade Punjab. He has also a flair for teaching and writing.

Other Directorships: (i) Al Zamin Leasing Corporation Limited (Formerly Crescent Leasing Corporation Limited), (ii) Dar-es-Salam Textile Mills Limited, (iii) Fazal Cloth Mills Limited, (iv) General Tyre & Rubber Company Limited, (v) Habib Metropolitan Bank Limited, (vi) Kohinoor Sugar Mills Limited, (vii) National Refinery Limited, (viii) Punjab Oil Mills Limited, (ix) Treet Corporation Limited.

He is also a Director of National Construction Limited which is an un-listed company.



MR. MEHDI LORI AMINI
Non-Executive Director

Mr. Mehdi Lori Amini is appointed to the Board of Directors in 2001.

He is Non-Executive Director, being nominee of Industrial Development & Renovation Organization of Iran (IDRO) and is also Member of Board Audit Committee.

He is Bachelor of Cost Accounting from Iranian Institute of Advance Accounting, Master of Commerce from University of Birmingham, England, Bachelor of Science, and holds Degree in Accounting Issued by Ministry of Science and Higher Education, Iran. A Member of Iran Chartered Accountant Association for more than 25 years. Holder of: (i) Formal Expert License in Accounting, Auditing and Share Evaluation issued by Iran Ministry of Justice for more than 10 years (ii) License in COMFAR software (ii) License in ACCPAC Accounting System from Canada.

Mr. Amini has more than 32 years experience in the fields of Accounting, Auditing, Finance, Feasibility Studies, Investment, Share Evaluation, Stock Exchange, Over the Counter Market, Privatization, Board of Directors, Chairman, Managing Director and Project Manager in many companies.

He is: (i) Investment & Portfolio Manger of IDRO and (ii) Financial Economic & Commercial Advisor in many companies.

Other Directorships: Chairman of Iran Over the Counter Market (OTC), Managing Director of:
(ii) Arrandan Ship Building Company for more than 10 years and (iii) Industries Audit and Management Services Institute for more than 20 years.

PROFILE OF THE MEMBERS OF THE BOARD OF DIRECTORS

MS. NARGIS GHALOO
Non-Executive Director

Ms. Nargis Ghaloo was elected to the Board of Directors in 2006.

She is a Non-Executive Director being nominee of State Life Insurance Corporation of Pakistan and is also Member of Board Investment Committee.

She is M.A. (English) and C.S.S.

Ms. Ghaloo has over 26 years of experience in various government organizations.

Other Directorship: Executive Director: State Life Insurance Corporation of Pakistan and Director: Askari Leasing Limited.

SHEIKH MOHAMMAD AIJAZ AKHTAR
Non-Executive Director

Sheikh Mohammad Aijaz Akhtar is on the Board of Directors Since 2006. He was elected to the Board of Directors in 2008.

He is a Non-Executive Director.

He is Graduate (B.Sc.)

Sheikh Aijaz has about 36 years of experience with (i) family business (ii) Trade & Industry (iii) Steel Merchants and (iv) Gulf Builders & Developers.

Other Directorship: Chief Executive: Pentagon 'A' Exporters.

PROFILE OF THE MEMBERS OF THE BOARD OF DIRECTORS

MR. HASAN IRFAAN
Non-Executive Director

Mr. Hasan Irfaan was appointed to the Board of Directors in 2006 as Non-Executive Director, being the nominee of PSPC, he is also Member of Board Audit Committee.

He is an Electrical Engineer by profession from Engineering College Peshawar with post graduate education in advance Electronics from Netherlands.

He has 25 years of experience of working in Philips Electrical Industries of Pakistan in managing the overall operations of Consumer Electronics and Lighting factories. He has rich experience, both in batch / flow production and running a process industry. During his stay in Philips, he gained extensive training in Manufacturing, Total Quality, Process management and General management. He attended numerous seminars, conferences, workshops and training courses in Asia pacific and European countries.

For the last six years, he has been working in Pakistan Security Printing Corporation (Pvt.) Limited in the capacity of Director Operations and Plant Manager, managing the factory operations of the printing of complete range of Value and Security documents for the country.

Other Directorship: SICPA Inks Pakistan (Pvt.) Limited.

MRS. AYLA AKIN
Non-Executive Director

Mrs. Ayla Akin was appointed to the Board of Directors in 2007 as Non-Executive Director, being nominee of Sumer Holding A.S., Turkey.

She is Graduate from Ankara University.

Mrs. Akin has over 23 years experience in government service.

Other Directorship: Director of Privatization in Sumer Holding A.S., Turkey.

Profile of the Members of the Board of Directors

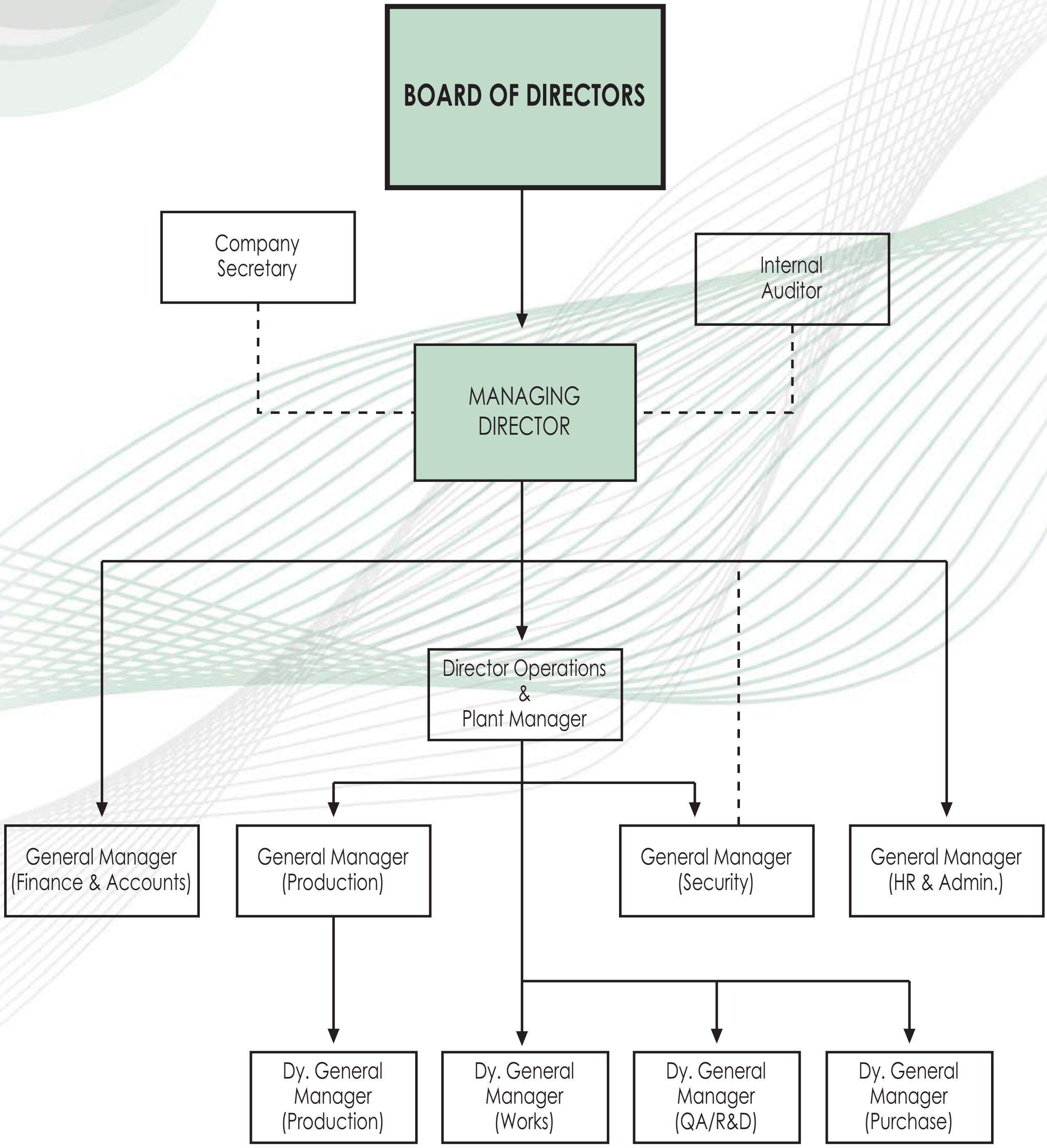
MR. A. AKBAR SHARIFZADA
Non-Executive Director

Mr. A. Akbar Sharifzada was appointed on the Board of Directors in 2008 as a Non-Executive Director, being nominee of PSPC.

He is M. A. (English Literature).

Mr. Sharifzada has about 20 years of experience of working with various Ministries of the Government of Pakistan. He is presently working with Ministry of Finance, Government of Pakistan.

Organization Chart



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

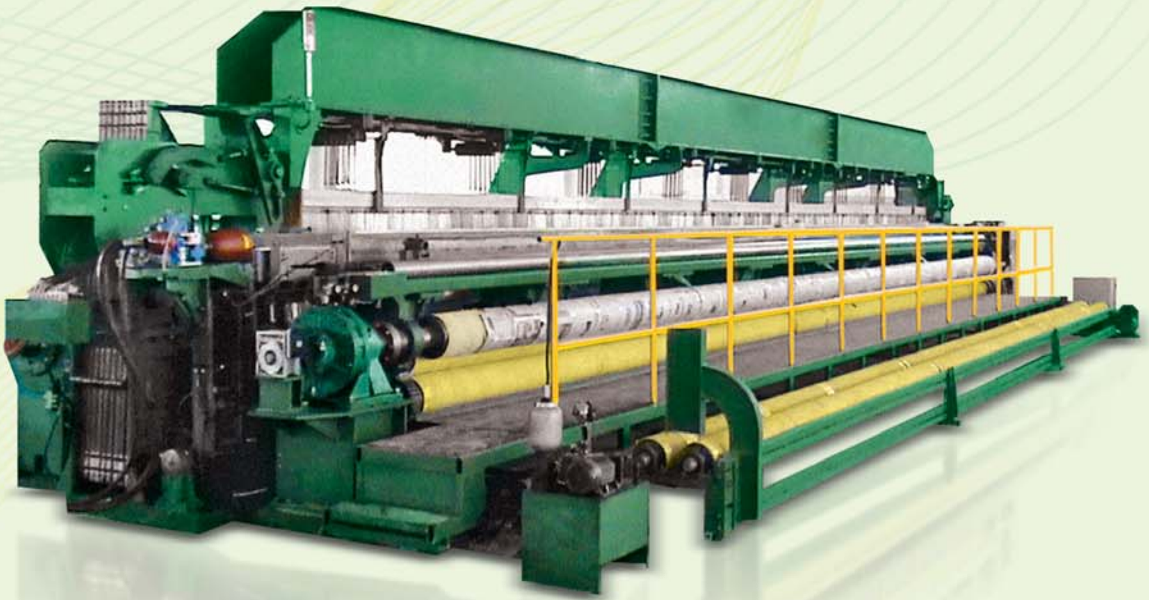
l. Ensuring that the Company has defined the operating principles of internal control and monitors the functions of such control.

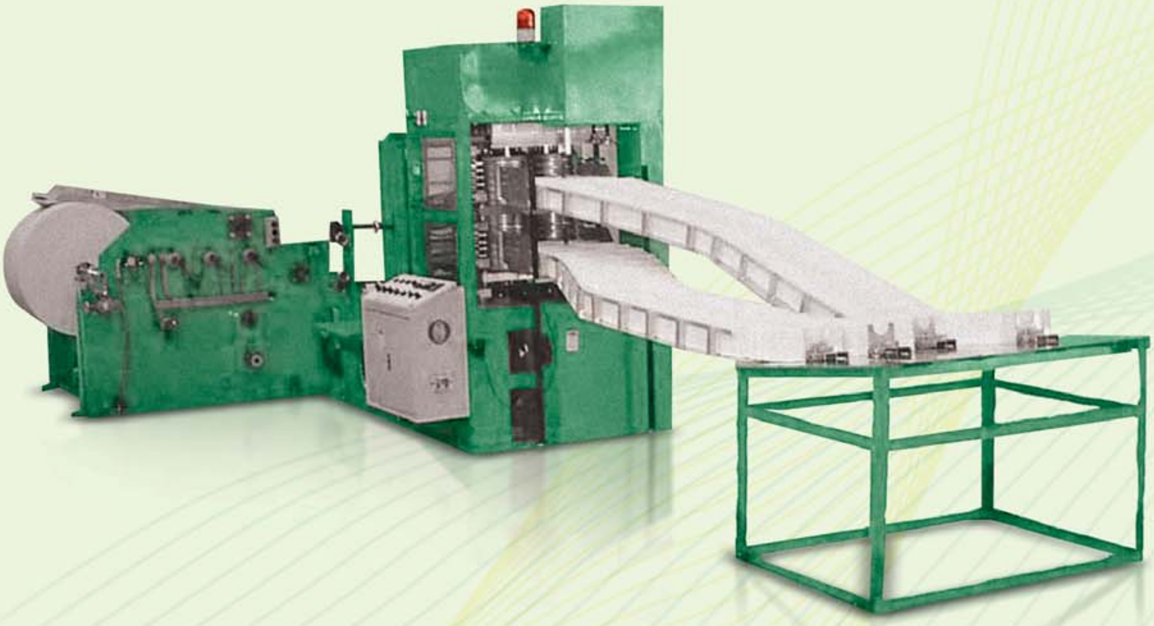
m. Supporting the Chief Executive

n. Enhancing Company's public image

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.

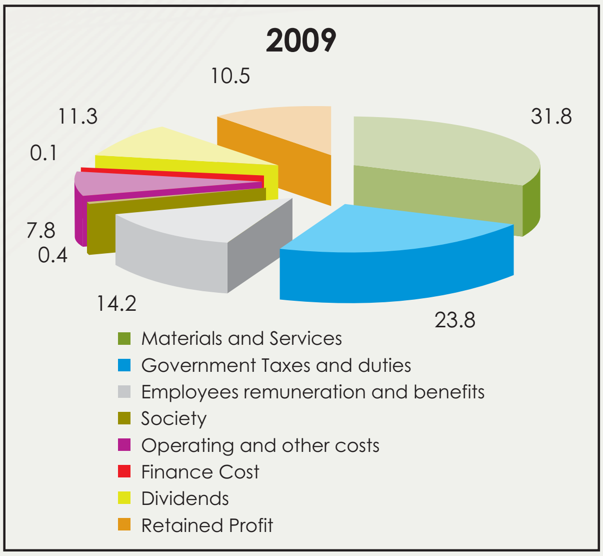
f. Ensuring Efficient Resource Management by managing human, financial, technical and infra-structural resources so as to support the above strategic goals and to ensure highest possible value addition to stakeholders.

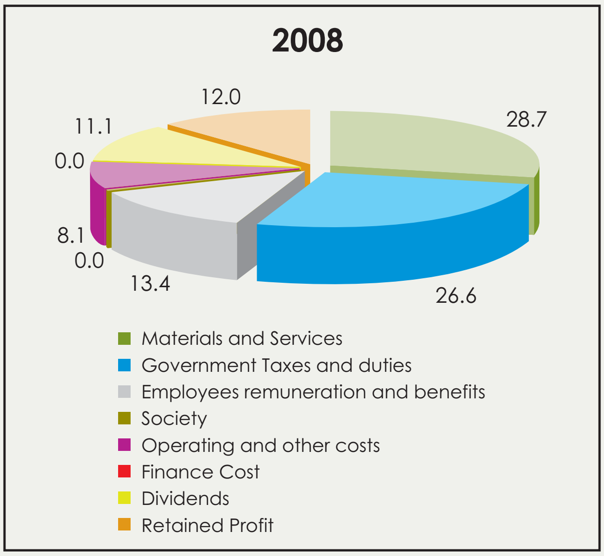
Code of ethics and business practices

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

STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

	2009	%	2008	%
	(Rupees in thousand)			
VALUE ADDITION				
Net Sales including Sales Tax	**1,321,012**	**87**	1,177,859	91
Other Operating Income	**202,417**	**13**	112,344	9
	1,523,429	**100**	1,290,203	100
VALUE DISTRIBUTION				
Materials and Services	**484,610**	**31.8**	369,878	28.7
Government Taxes and duties	**362,862**	**23.8**	343,413	26.6
Employees remuneration and benefits	**216,455**	**14.2**	173,366	13.4
Society	**6,100**	**0.4**	600	0.0
Operating and other costs	**119,460**	**7.8**	104,998	8.1
Finance Cost	**1,787**	**0.1**	527	0.0
Dividends	**171,458**	**11.3**	142,882	11.1
Retained Profit	**160,697**	**10.5**	154,539	12.0
	1,523,429	**100.0**	1,290,203	100





KEY OPERATING AND FINANCIAL DATA

(Rs. In Thousand)

PARTICULARS	2009	2008	2007	2006	2005	2004
Financial Position						
Fixed Assets - Net	1,264,704	1,205,059	1,244,199	1,310,034	1,372,997	1,429,030
Investments	-	-	24,711	167,043	25,925	-
Other Assets	16,757	16,296	15,490	14,669	14,682	14,066
	1,281,461	1,221,355	1,284,400	1,491,746	1,413,604	1,443,096
Current Assets	2,166,062	1,973,044	1,543,842	1,000,458	777,940	492,543
Current Liabilities	337,016	310,448	217,863	148,242	160,697	86,096
Working Capital	1,829,046	1,662,596	1,325,979	852,216	617,243	406,447
	3,110,507	2,883,951	2,610,379	2,343,962	2,030,847	1,849,543
Less : Long Term & Deferred Liabilities	140,616	96,478	62,601	40,825	19,537	-
Shareholders' Equity	2,969,891	2,787,473	2,547,778	2,303,137	2,011,310	1,849,543
Paid-up-Capital	411,499	342,916	285,763	219,818	219,818	219,818
Reserves	2,558,392	2,444,557	2,262,015	2,083,319	1,791,492	1,629,725
Captial Employed	2,969,891	2,787,473	2,547,778	2,303,137	2,011,310	1,849,543
Trading Results						
Sales - Net	1,129,070	1,024,221	953,914	960,579	979,957	856,398
Gross Profit	460,262	466,500	455,166	465,248	493,283	453,042
Profit after Admn. & General Expenses	384,834	404,803	402,948	414,591	441,210	407,379
Other Incomes/Finance & Other Costs	108,377	72,649	51,215	21,371	(10,414)	3,578
Profit before Tax	493,211	477,452	454,163	435,962	430,796	410,957
Taxation	161,056	180,031	156,940	40,344	149,054	23,411
Profit after Tax	332,155	297,421	297,223	395,618	281,742	387,546
Investors Information						
Dividend *						
Cash - Value	205,750	102,875	85,729	65,945	109,909	120,900
Cash - %	50.00%	30.00%	30.00%	30.00%	50.00%	55.00%
Bonus - Value	-	68,583	57,153	65,945	-	-
Bonus - %	-	20.00%	20.00%	30.00%	-	-
Profit retained in Business - Value	126,405	125,963	154,341	263,728	171,833	266,646
Retention - %	38.06%	42.35%	51.93%	66.66%	60.99%	68.80%
Gross Profit to Sales %	40.76%	45.55%	47.72%	48.43%	50.34%	52.90%
EBITDA (Rs '000)	598,791	579,139	552,725	531,583	642,873	531,311
EBITDA Margin to Sales %	53.03%	56.54%	57.94%	55.34%	65.60%	62.04%
Profit before Tax to Sales %	43.68%	46.62%	47.61%	45.39%	43.96%	47.99%
Profit after Tax to Sales %	29.42%	29.04%	31.16%	41.19%	28.75%	45.25%
Return on Equity - before tax %	16.61%	17.13%	17.83%	18.93%	21.42%	22.22%
Return on Equity - after tax %	11.18%	10.67%	11.67%	17.18%	14.01%	20.95%
Return on Capital Employed %	10.68%	10.31%	11.39%	16.88%	13.87%	20.95%
Return on Assets - before tax %	14.31%	14.95%	16.06%	17.49%	19.66%	21.23%
Return on Assets - after tax %	9.63%	9.31%	10.51%	15.87%	12.86%	20.02%
Total Assets Turnover %	32.75%	32.06%	33.73%	38.54%	44.72%	44.24%
Stock Turnover - No. of Days	146	164	146	116	86	59
Debtor turnover Ratio - No. of Days	90	58	33	42	49	61
Creditor turnover Ratio - No. of Days	42	27	14	13	12	15
Operating Cycle	194	196	164	144	123	105
Current Ratio	6.43:1	6.36:1	7.09:1	6.75:1	4.84:1	5.72:1
Quick Ratio	5.65:1	5.47:1	6.04:1	5.60:1	3.95:1	4.73:1
Debt Equity Ratio	2:42	2:58	2:81	2:98	1:99	0:100
No. of Shares in issue - (Rs '000)	41,150	34,292	28,576	21,982	21,982	21,982
Bonus Shares Issued - No. '000	-	6,858	5,715	6,595	-	-
Cash Dividend per share (Rs.)	5.00	3.00	3.00	3.00	5.00	5.50
Earning per share - before tax (Rs.)	11.99	11.60	11.04	10.59	10.47	9.99
Earning per share - after tax (Rs.)	8.07	7.23	7.22	9.61	6.85	9.42
Break-up value per share (Rs) :						
- Without Surplus on Revaluation on Fixed Assets	72.17	67.74	61.91	55.97	48.88	44.95
- With Surplus on Revaluation on Fixed Assets						
Price Earning Ratio - Year end Price (Rs.)	6.19	10.61	15.78	12.27	20.45	13.27
Earning Yield - Year end Price %	16.14%	9.43%	6.34%	8.15%	4.89%	7.53%
Dividend Payout %	61.94%	57.65%	48.07%	33.34%	39.01%	31.20%
Dividend Yield - Year end Price %	10.00%	6.52%	4.39%	5.08%	3.57%	4.40%
Dividend Cover - Times	1.61	1.73	2.08	3.00	2.56	3.21
Market Capitalization - Year end Price - Rs '000)	2,057,495	2,628,794	3,256,269	2,593,876	3,077,452	2,747,725
SHARE PERFORMANCE						
Share Price - Highest (Rs.)	83.50	143.75	142.85	147.00	176.50	168.00
Share Price - Lowest (Rs.)	35.50	75.05	78.15	114.00	123.00	93.00
Share Price - Average (Rs.)	59.50	109.40	110.50	130.50	149.75	130.50
Share Price - At year end (Rs.)	50.00	76.66	113.95	118.00	140.00	125.00
Turnover of shares	1,068,200	4,295,000	1,417,100	850,200	96,000	197,782
PRODUCTION (Tonnes)						
Actual Production						
Banknote Paper	1,424	1,627	1,709	1,729	1,747	1,621
Non-Banknote Paper	300	171	130	126	383	191
Total	1,724	1,798	1,839	1,855	2,130	1,812
SALES (Tonnes)						
Banknote Paper	1,415	1,561	1,601	1,648	1,676	1,583
Non-Banknote Paper	293	171	129	210	299	191
	1,708	1,732	1,730	1,858	1,975	1,774
CASH FLOW SUMMARY						
Cash Flows from Operating activities	288,243	129,742	379,901	400,358	467,455	354,987
Net cash used in investing activities	(421,147)	(88,157)	(570,047)	(111,028)	14,277	114,055
Net cash used in financing activities	(105,782)	(87,488)	(66,004)	(109,193)	(121,054)	(416,355)
Cash and cash equivalents at beginning of the year	358,074	403,977	660,127	479,990	119,312	66,625
Cash and cash equivalents at end of the year	**119,388**	**358,074**	**403,977**	**660,127**	**479,990**	**119,312**

* Proposed cash dividend of Rs: 205,750 million (i.e Rs. 5 /- per share) are not reflected in the financial statements as referred to in note 37 to the financial statements.

HORIZONTAL ANALYSIS

	2009	2008	2007	2006	2005	2004
BALANCE SHEET						
ASSETS						
Non-current assets						
Property, plant and equipment	4.95%	-3.15%	-5.03%	-4.59%	-3.92%	-0.57%
Long-term deposits	2.83%	5.20%	5.60%	-0.09%	4.38%	100.00%
Investments	-	-100.00%	-85.21%	544.33%	100.00%	-100.00%
Current assets						
Stores, spares and loose tools	12.21%	27.78%	34.94%	33.68%	22.89%	15.96%
Stock-in-trade	-4.39%	19.78%	34.57%	18.17%	69.07%	83.43%
Trade debts - considered good	9.90%	314.16%	-41.02%	-2.26%	-27.41%	12.51%
Advances, deposits, prepayments and other receivables	2.02%	153.22%	43.57%	36.49%	-13.75%	436.08%
Accrued mark-up	219.41%	81.50%	-33.51%	518.51%	108.28%	179.11%
Loans and receivables & Investments	19.68%	16.36%	109.55%	44.46%	223.20%	-39.98%
Cash and bank balances	-56.10%	-11.68%	-3.32%	19.47%	29.87%	79.08%
Total assets	**7.92%**	**12.95%**	**13.48%**	**13.72%**	**13.22%**	**-0.88%**
LIABILITIES						
Current liabilities						
Current portion of Long term liabilities - Lease/Loan	23.24%	100.00%	-	-	-	-100.00%
Trade and other payables	19.01%	36.29%	0.77%	10.27%	26.97%	-58.17%
Accrued mark-up on short term finance - secured	125.00%	-50.00%	100.00%	-	-	-
Taxation - net	-3.64%	48.94%	247.98%	-46.09%	100.00%	-
Non-current liabilities						
Liabilities against asset subject to finance lease	37.89%	100.00%	-	-	-	-
Long Term Finance	-	-	-	-	-	-100.00%
Deferred taxation - net	46.17%	46.37%	53.34%	108.96%	100.00%	-
Total liabilities	**17.38%**	**45.09%**	**48.34%**	**4.90%**	**109.34%**	**-82.46%**
NET ASSETS	**6.54%**	**9.41%**	**10.62%**	**14.51%**	**8.75%**	**26.51%**
Issued, subscribed and paid-up capital	20.00%	20.00%	30.00%	0.00%	0.00%	0.00%
General reserve	6.00%	7.95%	15.68%	11.40%	21.46%	0.00%
Unappropriated profit	11.66%	0.01%	-24.81%	40.33%	-27.26%	430607%
Surplus on re-measurement of investments classified as 'available for sale'	-96.80%	137.23%	189.73%	661.41%	100.00%	0%
SHAREHOLDER'S EQUITY	6.54%	9.41%	10.62%	14.51%	8.75%	26.51%
Total liabilities & Shareholder Equity	**7.92%**	**12.95%**	**13.48%**	**13.72%**	**13.22%**	**-0.88%**

Profit & Loss Account

	2009	2008	2007	2006	2005	2004
Sales - net	10.24%	7.37%	-0.69%	-1.98%	14.43%	16.27%
Cost of sales	19.92%	11.82%	0.69%	1.78%	20.66%	45.87%
Gross profit	-1.34%	2.49%	-2.17%	-5.68%	8.88%	-1.51%
Administration and general expenses	22.26%	18.15%	3.08%	-2.72%	14.04%	5.32%
Other operating income	80.18%	27.81%	38.61%	203.43%	-25.85%	-49.88%
Other operating charges	126.08%	7.14%	-12.69%	34.18%	40.08%	-6.12%
Impairment loss on 'available for sale' investment	100.00%	-	-	-	-	-
Operating profit	3.56%	5.21%	4.16%	1.21%	4.26%	-7.99%
Finance costs	239.09%	318.25%	-25.88%	58.88%	-95.41%	5452.38%
Profit before taxation	3.30%	5.13%	4.17%	1.20%	4.83%	-8.50%
Taxation - net	-10.54%	14.71%	289.00%	-72.93%	536.68%	21.14%
Profit after taxation	11.68%	0.07%	-24.87%	40.42%	-27.30%	-9.83%

Vertical Analysis

	2009	2008	2007	2006	2005	2004
BALANCE SHEET						
ASSETS						
Non-current assets						
Property, plant and equipment	36.68%	37.72%	43.99%	52.57%	62.65%	73.83%
Long-term deposits	0.49%	0.51%	0.55%	0.59%	0.67%	0.73%
Investments	0.00%	0.00%	0.87%	6.70%	1.18%	0.00%
Current assets						
Stores, spares and loose tools	2.37%	2.28%	2.01%	1.69%	1.44%	1.33%
Stock-in-trade	7.58%	8.56%	8.07%	6.81%	6.55%	4.39%
Trade debts - considered good	8.42%	8.27%	2.26%	4.34%	5.05%	7.87%
Advances, deposits, prepayments and other receivables	0.97%	1.02%	0.46%	0.36%	0.30%	0.39%
Accrued mark-up	1.27%	0.43%	0.27%	0.46%	0.08%	0.05%
Loans and receivables & Investments	40.21%	36.26%	35.20%	19.06%	15.00%	5.26%
Cash and bank balances	2.01%	4.95%	6.33%	7.43%	7.07%	6.16%
Total assets	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
LIABILITIES						
Current liabilities						
Current portion of liabilities against asset subject to finance lease	0.05%	0.04%	0.00%	0.00%	0.00%	0.00%
Trade and other payables	5.71%	5.18%	4.29%	4.84%	4.99%	4.45%
Accrued mark-up on short term finance - secured	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Taxation - net	4.01%	4.49%	3.41%	1.11%	2.34%	0.00%
Non-current liabilities						
Liabilities against asset subject to finance lease	0.19%	0.15%	0.00%	0.00%	0.00%	0.00%
Long Term Finance	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Deferred taxation - net	3.88%	2.87%	2.21%	1.64%	0.89%	0.00%
Total liabilities	**13.85%**	**12.74%**	**9.92%**	**7.59%**	**8.22%**	**4.45%**
NET ASSETS	**86.15%**	**87.26%**	**90.08%**	**92.41%**	**91.78%**	**95.55%**
Issued, subscribed and paid-up capital	11.94%	10.73%	10.10%	8.82%	10.03%	11.36%
General reserve	64.53%	65.70%	68.74%	67.43%	68.84%	64.17%
Unappropriated profit	9.64%	9.32%	10.52%	15.88%	12.87%	20.03%
Surplus on re-measurement of investments classified as 'available for sale'	0.04%	1.52%	0.72%	0.28%	0.04%	0.00%
SHAREHOLDER'S EQUITY	86.15%	87.26%	90.08%	92.41%	91.78%	95.55%
Total liabilities & Shareholder Equity	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Profit & Loss Account

	2009	2008	2007	2006	2005	2004
Sales - net	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of sales	59.24%	54.45%	52.28%	51.57%	49.66%	47.10%
Gross profit	40.76%	45.55%	47.72%	48.43%	50.34%	52.90%
Administration and general expenses	6.68%	6.02%	5.47%	5.27%	5.31%	5.33%
Other operating income	17.93%	10.97%	9.21%	6.60%	2.13%	3.29%
Other operating charges	7.84%	3.82%	3.83%	4.36%	3.18%	2.60%
Impairment loss on 'available for sale' investment	0.33%	-	-	-	-	-
Operating profit	43.84%	46.67%	47.62%	45.40%	43.97%	48.26%
Finance costs	0.16%	0.05%	0.01%	0.02%	0.01%	0.27%
Profit before taxation	43.68%	46.62%	47.61%	45.39%	43.96%	47.99%
Taxation - net	14.26%	17.58%	16.45%	4.20%	15.21%	2.73%
Profit after taxation	29.42%	29.04%	31.16%	41.19%	28.75%	45.25%

Management Review

ANNUAL REPORT
TWO THOUSAND 09

PRODUCTION

Production Targets

We have been successful in meeting the total demand of our customer, through our new Banknote Paper Machine PM-2. The production during the year 2008 - 09 is almost the same as of previous year.

In order to utilize maximum production capacity, all efforts are being made to achieve product diversification. Trial runs on new product range of sensitized paper have been done successfully. Modification requirement on existing plant have been finalized with the machinery supplier and order is being processed for the same.

Up-gradation

Management is actively considering a number of up-gradation projects, deferred earlier while considering PM-2 project. The cost of new paper machine PM-2, acquired in 2003, was kept economical by leaving provision for subsequent up-gradations from time to time on as and when needed basis to phase out capital expenditure requirements. This up-gradation would place SPL at par with any international paper producer and would help enhance its capacity, further improve quality and working environment while reducing wastages.

Quality

We have always been trying to improve upon processes to ensure high quality products to ultimately satisfy our customers. Continuous monitoring of processes and product parameters coupled with the development and training of concerned staff ensures the required quality of the end product.

Environment

We feel responsible to control and mitigate any environmental impacts of our processes, if any, and ensure compliance with National Environmental Quality Standard (NEQS). All efforts are put on place to monitor our plant activities to minimize air, water, waste & noise pollution and adhere to NEQS.

ENGINEERING

Engineering Department has been instrumental in keeping the plant all the time in operational condition, ensuring minimum downtime through proper preventive maintenance in order to maximize the productivity and efficiency of the plant.

Following important jobs have been attended during the year 2008 - 09:

1) The installation of Co-generation Power Plant is in its final stages, waiting only for the supply of gas from the concerned authorities. The commissioning of the power plant will hopefully be done by the end of August 2009. Once commissioned, would help in substantially reducing the production disruptions, being experienced currently with the erratic power supply situation.

2) Installation of new Rag Digester to ensure the continuity of pulped material to machine shop.

3) A new and efficient Humidity & Temperature Control System for Paper Testing Laboratory is being commissioned.

4) New fire fighting system equipped with pressure booster is being installed, covering the whole Mill including SPL residential colony.

5) Digitizing system has been incorporated with CNC Milling Machine to be able to produce 3D water mark image in order to fully utilize the capabilities of CNC Milling Machine.

6) A decades' old PABX has been replaced with an efficient PABX system increasing the number of lines from 100 to 150 with latest features of communication.

7) Prayer area has been completely rebuilt.

8) Annual plant shut down jobs were attended to enhance the life of machineries & equipments. Moreover, complete internal and external white washing of the plant was also carried out.

Quality Assurance And Research & Development

In order to achieve highest degree of customer satisfaction, quality has been in-built in the entire management system by defining departmental objective and its continuous review. Product quality is ensured by monitoring all the stages of production starting from raw material through final finished products.

It is Company's endeavor to deliver the quality products with minimum adverse environmental impacts and to comply with National Environmental Quality Standards (NEQS). Considering the importance of Occupational Health & Safety (OHS) in routine operations, the Company has taken a number of initiatives. Work instructions for each machine and safety signboards are properly displayed at appropriate places of the Mill. Material Safety Data Sheets (MSDS) are also available at each section of the Mill. Personal Protective Equipments (PPE) is also made available to staff wherever required.

The periodical internal and external Quality & Environmental Audits provide an excellent opportunity to timely address the critical and weak areas of the system and to keep everybody vigilant for immediately controlling any deviations. Re-Certification of Company in accordance with upgraded version of Quality Management System (ISO 9001:2008) and Environmental Management System (ISO 14001:2004) by international accredited certification body demonstrates the commitment of management towards excellence throughout its processes including safety, health, environment and quality.

Research & Development has been given due importance to ensure continuous improvement in product quality, reduction in process and material losses thus achieving cost effective products, leading to higher customer satisfaction.

SECURITY

Our major concern has always been to keep enhancing the trust and confidence of our valued stakeholders. Keeping this very objective in mind our focus remains on finding newer and appropriate technology in addition to continuously reviewing the existing system to further enhance the safety and security of our products and premises against pilferage, theft or sabotage.

During the year 2008 - 09 following measures have been undertaken:

Installation of Digital Video Recorder (DVR) System

CCTV System installed in the factory premises is connected with cameras at critically strategic points to observe the activities. Considering sensitivity and importance of job and to record any unusual activity, Digital Video Recording (DVR) system has been installed which provides the facility of 24 hours continuous recording of selected sensitive points.

Expansion of Access Control System (ACS)

In order to prevent un-necessary movement of employees, it is decided that Paper Store and new Quality Assurance Laboratory (QA Lab) may also be provided with ACS. Accordingly, the ACS has been installed in the Paper Store and QA Lab.

Walk Through Gates

To secure the premises, it was necessary to further enhance the security measures at entry / exit points. To achieve the required results, two Walk through Gates have been installed at main entrance of the factory.

Road Blocker

The recent terrorist attacks on Sensitive Installations, Five Star Hotels etc. forced the management to take some appropriate steps to check and identify vehicles before entering the main gate. An electronic Road Blocker has been installed out side the main entrance of SPL. The same has been linked with CCTV System to record all movements of vehicles before entering the main gate. To facilitate the duty security staff, a monitor has also been installed inside the reception office to operate the Road Blocker safely and smoothly, as and when required.

SECURITY

Up-Gradation of Fire Fighting Facility

The existing fire hydrants system was installed 30 years back and now is being replaced with the latest fire hydrants and complete new pipe lines. The residential colony is also provided with two fire hydrants. The project will hopefully be completed within two months time.

In order to enhance the fire fighting ability, a number of fire extinguishers & other fire fighting equipments are added in the inventory.

This year also fire fighting training was conducted with the help of Civil Defence Authority in which 18 male and 04 female employees were trained in the fire fighting and first aid courses.

Emergency Exit coupled with GSM System

In order to meet the requirements and safety and security of employees it is obligatory to provide easy and safe exit from departments in case of extreme emergency. To achieve this goal, GSM System is being installed in five important locations of the factory. The work on the System is under progress and will be completed shortly.

Shredding Machine

The old and outdated shredding machine of Machine House has been replaced with the new shredding machine to efficiently meet the requirement of waste paper shredding.

Marshalling Area

A marshalling area has been established outside the factory for security purposes where all vehicles carrying raw materials for SPL are parked before entering the factory. They are thoroughly checked at this point. All those vehicles, which arrive late in the night, also use this marshalling area for night parking, after necessary checking by Security Department.

FINANCE & ACCOUNTS

The Finance and Accounts Department (FAD) is committed to pursue the highest standards through hard work, ethical behavior, integrity and work as a team with a view to:

- Ensure timely statutory and management financial reporting.
- Adhere to risk management planning and procedures.
- Control of costs and improve profitability.
- To develop long range and short range plans.
- Efficient working capital management.
- Proper cost benefit analysis.
- Management controls, internal control policy.
- Monitoring capital structure and debt equity ratio.
- Comply with generally accepted accounting practices.

With the dedication and team work, the Finance and Accounts Department will remain committed to meet challenges and achieve the desired results to excel the expectation of stakeholders.

INTERNAL AUDIT

The Internal Audit department assists the Board Audit Committee comprising of non executive Directors and the Board in fulfilling their responsibilities. The Head of the Internal Audit department reviews and reports to the Chairman Audit Committee on the following aspects of Company's management:

- Focusing on adequacy and effectiveness of the internal controls
- Managing financial risks
- Ascertaining that financial accounting and other records and reports show results of actual operation accurately and properly
- Ensuring compliance with policies, plans and procedures as laid down by the management
- Ensuring statutory compliance i.e. corporate governance provisions impacting the role of internal auditor with specific reference to interactions with external auditor, Companies Ordinance 1984, International Accounting Standards, International Auditing Guidelines, and International reporting framework structure.

Internal Audit function is an independent appraisal activity in the Company for the review of accounting financial and operational matters and acts as a managerial control. Internal audit reviews are being directed towards operational matters, minimizing losses and increasing efficiency and profitability by carrying out system based auditing. In Addition to the operational audit the department has extended the scope towards financial and management audit to ensure effectiveness of management policies and its consistent application.

INFORMATION TECHNOLOGY

The Information Technology Department (IT) provides requisite leverage to the Company to boost its performance by focusing on effective and rapid communication while recognizing that IT is the most essential tool for sustaining not only the current business status but also for future business progress.

Oracle based applications are in place and continuous improvements are being made in these applications in order to attain business efficiency. The IT infrastructure is being re-enforced and consolidated to boost availability of IT systems and services and the pace of business process optimization is being accelerated using latest Oracle applications. IT Department believes in providing quality and timely support to all of the operating business areas of the Company to enhance their productivity, effectiveness and decision making capabilities to support consistent growth of the Company.

Human Resource And Administration

During the year Human Resource Review includes an examination and assessment of current human resource practices and policies and may include an environmental scan of the organization. Through focus groups and one-on-one meetings, this process is customized to address the major aspects of human resources management, including:

- Policies & Procedures
- Salary & Benefits
- Training & Development
- Performance Development
- Workforce Planning
- Recruitment, Selection & Retention
- Employee Relations
- Succession Planning
- Legal Compliance

Upon completion of the Human Resource Review, a detailed analysis of our current human resource programs is provided, with recommendations for realistic and practical solutions. This ultimately provides a building block for developing a strategic human resource management plan, establishing priorities and setting both short and long-term goals.

It is important to us that we encourage and maintain effective communication and consultation between employees and management. The prime relationship and accountability for this is through the relationship of the employee and their direct supervisor. Employees are also provided with regular briefings by senior management on important issues such as our strategy, performance and health, safety and environmental matters.

Our environment is about empowering people, both to contribute to our business objectives and to achieve their own personal and career goals. We also keep an eye on the future, with our 'leadership behaviours' initiative aiming to identify the next generation of leaders.

CORPORATE

The corporate routine was successfully performed. Core activities were completed much earlier than the legally allowed time limit.

Facilitations to the shareholders received top priority. Accordingly, shareholder related issues were resolved in quickest possible manner. Senior shareholders received personalized services.

Legal compliance was duly observed.

Effective liaison was maintained with other departments to achieve common goals.

It is the firm commitment of the department to provide best possible services to all the stakeholders in a most efficient manner.

PURCHASE

The Purchase Department ensures that purchases are made with professional integrity. We have achieved optimum stock levels of essential raw materials such as comber waste, denim cuttings, security threads, chemicals etc. by overcoming the uncertain supply situation.

The department is taking every possible step to ensure uninterrupted supply of materials and services to all the departments by watchfully monitoring the situation of local as well as foreign market in order to achieve production targets.

It has remained the endeavor of the department to continuously look for new and more competitive source of supply in order to expand suppliers' base and achieve cost efficient purchases. In this period of national and international crisis, the role of department has become even more important in finding best available sources with minimum possible cost.

Increased use of Oracle-based Purchase and Inventory System is greatly helping in keeping proper check on purchases and maintain inventories in a professional way. The system generated information enable taking necessary steps for further improvement in providing satisfactory service to our business partners.

Statement Of Compliance With The Code Of Corporate Governance

Name of Company: **Security Papers Limited**
Year Ended: **June 30, 2009**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange (Guarantee) Limited 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 Code 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 six independent non-executive directors and six directors representing minority shareholders.

2. The directors have confirmed that none of them is serving as a director in more than ten 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 DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy has occurred during the period under review. However, such vacancies as and when occur are duly filled up as per requirements of the Companies Ordinance, 1984.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.

6. The Board has developed a vision/mission statement, overall corporate strategy and formulated 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 have been taken by the Board.

8. The meetings of the Board were presided over by the Chairperson and, in her 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 arranges 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 first hand knowledge on the working of the Company.

10. The Board had approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

Statement Of Compliance With The Code Of Corporate Governance

11. The directors' report for this year has been prepared in compliance with the requirements of the Code 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 Code.

15. The Board has formed an audit committee. It comprises three members, of whom all are non-executive directors including the chairman of the committee.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has set-up an effective internal audit function.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, 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 Institute of Chartered Accountants of Pakistan.

19. 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.

20. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated

21. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board of Directors

MRS. NAIYER MUZAFAR HUSAIN
Chairperson & Chief Executive

Karachi
Dated: July 30, 2009

Financial Statements

ANNUAL REPORT
TWO THOUSAND 09

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

KPMG Taseer Hadi & Co.
Chartered Accountants
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Karachi 75530 Pakistan

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Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Security Papers Limited** ("the Company") to comply with the Listing Regulation No. 35 (previously Regulation No. 37) of Karachi Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

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 of Corporate Governance as applicable to the Company the year ended 30 June 2009.

KPMG Taseer Hadi & Co.

Date: 30 JUL 2009

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi

KPMG Taseer Hadi & Co., a partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative

KPMG

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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 2009 and the related profit and loss account, 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;

   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, 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 2009 and of the profit, its 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, was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements for the year ended 30 June 2008 were audited by another firm of Chartered Accountants who vide their report dated 26 August 2008 had expressed an unqualified opinion thereon.

Date: 30 JUL 2009

Karachi

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

BALANCE SHEET

As at 30 June 2009

	Note	2009	2008
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	4	**1,264,704**	1,205,059
Long-term deposits	5	**16,757**	16,296
		1,281,461	1,221,355
Current assets			
Stores, spares and loose tools	6	**81,665**	72,779
Stock-in-trade	7	**261,420**	273,409
Trade debts - considered good	8	**290,289**	264,137
Advances, deposits, prepayments and other receivables	9	**33,284**	32,625
Accrued mark-up	10	**43,798**	13,712
Loans and receivables	11	**1,250,045**	770,041
Investments	12	**136,173**	388,267
Cash and bank balances	13	**69,388**	158,074
		2,166,062	1,973,044
Total assets		**3,447,523**	3,194,399
LIABILITIES			
Current liabilities			
Current portion of liabilities against asset subject to finance lease	15	**1,644**	1,334
Trade and other payables	16	**197,025**	165,549
Accrued mark-up on short term finance - secured		**9**	4
Taxation - net		**138,338**	143,561
		337,016	310,448
Non-current liabilities			
Liabilities against asset subject to finance lease	15	**6,685**	4,848
Deferred taxation - net	17	**133,931**	91,630
		140,616	96,478
Total liabilities		**477,632**	406,926
Contingencies and commitments	18		
NET ASSETS		**2,969,891**	2,787,473
FINANCED BY:			
Authorised share capital			
70,000,000 (2008: 70,000,000) ordinary shares of Rs 10 each		**700,000**	700,000
Issued, subscribed and paid-up capital	19	**411,499**	342,916
General reserve		**2,224,589**	2,098,589
Unappropriated profit		**332,256**	297,559
Surplus on re-measurement of investments classified as 'available for sale'		**1,547**	48,409
SHAREHOLDER'S EQUITY		**2,969,891**	2,787,473

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

Naiyer Muzafar Husain
Chief Executive

Mustapha A. Chinoy
Director

Profit And Loss Account

For the year ended 30 June 2009

	Note	2009	2008
		(Rupees in thousand)	
Sales - net	20	**1,129,070**	1,024,221
Cost of sales	21	**668,808**	557,721
Gross profit		**460,262**	466,500
Administration and general expenses	22	**75,428**	61,697
		384,834	404,803
Other operating income	24	**202,417**	112,344
		587,251	517,147
Other operating charges	25	**88,551**	39,168
Impairment loss on 'available for sale' investment		**3,702**	-
Operating profit		**494,998**	477,979
Finance costs	26	**1,787**	527
Profit before taxation		**493,211**	477,452
Taxation - net	27	**161,056**	180,031
Profit after taxation		**332,155**	297,421
		(Rupees)	
Earnings per share	28	**8.07**	7.23

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

Naiyer Muzafar Husain
Chief Executive

Mustapha A. Chinoy
Director

CASH FLOW STATEMENT

For the year ended 30 June 2009

	Note	2009	2008
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	**413,074**	234,537
Long-term deposits		**(461)**	(806)
Taxes paid		**(123,978)**	(103,829)
Finance costs paid		**(392)**	(160)
Net cash generated from operating activities		**288,243**	129,742
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(164,105)**	(54,651)
Proceeds from sale of property, plant and equipment		**884**	9,276
Proceeds from sale of investments		**920,469**	-
Investments made during the year		**(1,300,520)**	(135,003)
Mark-up received		**122,125**	92,221
Net cash used in investing activities		**(421,147)**	(88,157)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments against lease obligations		**(2,907)**	(2,107)
Dividend paid		**(102,875)**	(85,381)
Net cash used in financing activities		**(105,782)**	(87,488)
Net decrease in cash and cash equivalents		**(238,686)**	(45,903)
Cash and cash equivalents at beginning of the year		**358,074**	403,977
Cash and cash equivalents at end of the year	33	**119,388**	358,074

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

Naiyer Muzafar Husain
Chief Executive

Mustapha A. Chinoy
Director

Security Papers LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2009

	Issued, subscribed and paid-up share capital	Reserve for issue of bonus shares	General reserve	Unappropriated profit	Surplus on re-measurement of Investments Classified as 'available for sale'	Total
	----------	----------	---------- (Rupees in thousand)	----------	----------	----------
Balance as at 30 June 2007	285,763	-	1,944,089	297,520	20,406	2,547,778
Final cash dividend @ Rs 3.00 per share for the year ended 30 June 2007	-	-	-	(85,729)	-	(85,729)
Transfer to general reserve made subsequent to the year end	-	-	154,500	(154,500)	-	-
Transfer to reserve for issue of bonus shares made subsequent to the year end	-	57,153	-	(57,153)	-	-
Bonus shares issued @ 20% for the year ended 30 June 2007	57,153	(57,153)	-	-	-	-
Profit for the year ended 30 June 2008	-	-	-	297,421	-	297,421
Unrealised appreciation during the year on re-measurement of investments classified as 'available for sale'	-	-	-	-	28,003	28,003
Total recognised income and expense for the year ended 30 June 2008	-	-	-	297,421	28,003	325,424
Balance as at 30 June 2008	342,916	-	2,098,589	297,559	48,409	2,787,473
Final cash dividend @ Rs 3.00 per share for the year ended 30 June 2008	-	-	-	(102,875)	-	(102,875)
Transfer to general reserve made subsequent to the year end	-	-	126,000	(126,000)	-	-
Transfer to reserve for issue of bonus shares made subsequent to the year end	-	68,583	-	(68,583)	-	-
Bonus shares issued @ 20% for the year ended 30 June 2008	68,583	(68,583)	-	-	-	-
Unrealised diminution during the year on re-measurement of investments classified as 'available for sale'	-	-	-	-	(2,820)	(2,820)
Realised appreciation during the year on redemption of investments classified as 'available for sale'	-	-	-	-	(47,744)	(47,744)
Impairment loss on 'available for sale' investment transferred to profit and loss account	-	-	-	-	3,702	3,702
Profit for the year ended 30 June 2009	-	-	-	332,155	-	332,155
Total recognised income and expense for the year ended 30 June 2009	-	-	-	332,155	(46,862)	285,293
Balance as at 30 June 2009	**411,499**	**-**	**2,224,589**	**332,256**	**1,547**	**2,969,891**

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

Naiyer Muzafar Husain
Chief Executive

Mustapha A. Chinoy
Director

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 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 in accordance with the criteria laid down in International Accounting Standard 39 (IAS 39) 'Financial Instruments: Recognition and Measurement' 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 3.1)
- Provision for slow moving and obsolete stores and spares and stock-in-trade (Note 3.4, 3.5)
- Estimates of liability in respect of employee retirement gratuity and employees' compensated absences (Note 3.11,3.12 and 23)
- Taxation (Note 3.14)
- Fair value of investments classified as 'available for sale' (Note 3.3, 34.4)

2.5 Initial application of a Standard, Amendment or an Interpretation to an existing Standard

The following standards, amendments and interpretations became effective during the current year:

- IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 – Financial Instruments: Disclosure and Presentation. The application of the standard did not have significant impact on the Company's financial statements other than increase in disclosures.

- IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The Company does not have any operations in Hyperinflationary Economies and therefore the application of the standard did not affect the Company's financial statements.

- IFRIC 13 – Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 did not affect the Company's financial statements.

- IFRIC 14 – IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008) clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements for such asset. The interpretation has no effect on Company's financial statements for the year ended 30 June 2009.

2.6 New accounting standards, amendments to published standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increased disclosures in certain cases:

- Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

- Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on the Company's financial statements.

- Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the Company's financial statements.

- IAS 27 'Consolidated and separate financial statements (effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on Company's financial investments.

- Amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which require retrospective application, are not expected to have any impact on the Company's financial statements.

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged Items (effective for annual periods beginning on or after 1 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment is not likely to have an effect on the Company's financial statements.

- Amendments to IAS 39 and IFRIC 9 - Embedded derivatives (effective for annual periods beginning on or after 1 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value. The amendments are not likely to have an effect on Company's financial statements.

- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the Company's financial statements.

- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRS requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

- Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Company's financial statements.

- IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after 1 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The standard is not applicable to the Company's operations.

- Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009). These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements.

- The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2010 financial statements. These amendments are unlikely to have an impact on the Company's financial statements.

- The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2010 financial statements. These amendments are unlikely to have an impact on the Company's financial statements.

- IFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them.

- IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The IFRIC is not relevant to the Company's operations.

- IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The IFRIC is not relevant to the Company's operations.

- IFRIC 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) states that when a Company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. As the Company does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Company's financial statements.

- IFRIC 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The interpretation is not relevant to the Company's operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

3.1 Property, plant and equipment

Owned

These are stated at cost less accumulated depreciation and accumulated impairment losses (if any), except for capital work-in-progress, leasehold and freehold land which are stated at cost less accumulated impairment losses (if any). 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 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.

3.2 Borrowing cost

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

3.3 Financial instruments

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

Financial assets

The Company classifies its financial assets in held to maturity, available-for-sale and loans and receivables 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 to maturity.

(b) Available for sale

These are non-derivative financial assets that are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

(c) Loans and receivables

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

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 sale 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 and the relevant redemption prices for the open-end mutual funds.

Available-for-sale financial assets are subsequently carried at fair value with changes in fair value recognised in equity 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 each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exist for available-for-sale financial assets, the cumulative loss is removed from equity and is recognised in the profit and loss account.

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 or cancelled or expired.

Offsetting of financial assets and financial liabilities

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

3.4 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.

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

3.5 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.

3.6 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 receivables are written off when considered irrecoverable.

3.7 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents include cash in hand, balances with banks and other short-term highly liquid investments with original maturities of three months or less.

3.8 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.

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

3.11 Employee retirement benefits

The Company operates:

(a) an approved contributory provident fund for all eligible employees; and

(b) 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 amortised over the average remaining working lives of the employees in excess of the higher of the following corridor limits:

(i) 10 % of the present value of the defined benefit obligation; and

(ii) 10 % of the fair value of the plan assets.

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

Liability in respect of employees' compensated absences is accounted for in the year in which these are earned on the basis of actuarial valuations carried out using the Projected Unit Credit Method.

Actuarial gains or losses at each valuation date, if any, are recognised immediately.

3.13 Revenue recognition

- Sales are recorded on dispatch of goods to customers when significant risk and rewards of ownership are transferred to the customers.
- Return 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.
- Sale of waste materials and miscellaneous receipts are recognised on receipt basis.

3.14 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 recognized 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 recognized for all taxable temporary differences. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

3.15 Expenses

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

3.16 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 recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

3.17 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 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.

3.18 Proposed dividend and transfer between reserves

Dividend distributions to the Company's shareholders is recognised as a liability in the period in which dividends are 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	2009	2008
		(Rupees in thousand)	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	**1,261,660**	1,196,317
Capital work-in-progress	4.5	**3,044**	8,742
		1,264,704	1,205,059

4.1 Operating fixed assets

-- 2009 --

	Land		Buildings on		Office premises	Plant and machinery	Laboratory equipment	Furniture and fixtures	Electric, water and gas installation	Office and security equipment	Computers and computer accessories	Motor vehicles		Total
	Lease-hold	Free-hold	Leasehold land	Freehold land								Owned	Leased	
	Rupees in thousand													
At 1 July 2008														
Cost	417	293	1,015	33,887	-	1,537,604	22,626	2,394	49,524	16,930	7,440	8,447	7,918	1,688,495
Accumulated depreciation	-	-	(822)	(9,593)	-	(435,163)	(8,588)	(1,027)	(16,823)	(8,538)	(6,445)	(3,810)	(1,369)	(492,178)
Net book value	417	293	193	24,294	-	1,102,441	14,038	1,367	32,701	8,392	995	4,637	6,549	1,196,317
During the year														
Additions	-	-	-	23,874	-	133,557	2,444	126	2,464	3,095	482	97	3,664	169,803
Disposals:														
Cost	-	-	-	-	-	-	-	-	-	-	-	321	854	1,175
Depreciation	-	-	-	-	-	-	-	-	-	-	-	(294)	(214)	(508)
	-	-	-	-	-	-	-	-	-	-	-	27	640	667
Depreciation charge for the year	-	-	(25)	(719)	-	(91,625)	(2,416)	(109)	(2,747)	(2,400)	(606)	(1,392)	(1,754)	(103,793)
Closing net book value	**417**	**293**	**168**	**47,449**	**-**	**1,144,373**	**14,066**	**1,384**	**32,418**	**9,087**	**871**	**3,315**	**7,819**	**1,261,660**
At 30 June 2009														
Cost	417	293	1,015	57,761	-	1,671,161	25,070	2,520	51,988	20,025	7,922	8,223	10,728	1,857,123
Accumulated depreciation	-	-	(847)	(10,312)	-	(526,788)	(11,004)	(1,136)	(19,570)	(10,938)	(7,051)	(4,908)	(2,909)	(595,463)
Net book value	**417**	**293**	**168**	**47,449**	**-**	**1,144,373**	**14,066**	**1,384**	**32,418**	**9,087**	**871**	**3,315**	**7,819**	**1,261,660**
Depreciation rate % per annum	**-**	**-**	**2.5%**	**2.5%**	**-**	**6%**	**10%**	**6%**	**6%**	**15%**	**25%**	**20%**	**20%**	

-- 2008 --

	Land		Buildings on		Office premises	Plant and machinery	Laboratory equipment	Furniture and fixtures	Electric, water and gas installation	Office and security equipment	Computers and computer accessories	Motor vehicles		Total
	Lease-hold	Free-hold	Leasehold land	Freehold land								Owned	Leased	
	Rupees in thousand													
At 1 July 2007														
Cost	417	293	1,015	33,887	6,915	1,492,903	21,735	1,645	49,451	16,930	7,085	11,112	-	1,643,388
Accumulated depreciation	-	-	(796)	(8,931)	(6,221)	(346,010)	(6,363)	(989)	(14,180)	(6,249)	(5,726)	(8,529)	-	(403,994)
Net book value	417	293	219	24,956	694	1,146,893	15,372	656	35,271	10,681	1,359	2,583	-	1,239,394
During the year Additions	-	-	-	-	-	44,701	891	835	196	24	388	3,679	7,918	58,632
Disposals:														
Cost	-	-	-	-	6,915	-	-	86	123	24	33	6,344	-	13,525
Depreciation	-	-	-	-	(6,858)	-	-	(51)	(73)	(24)	(33)	(6,042)	-	(13,081)
	-	-	-	-	57	-	-	35	50	-	-	302	-	444
Depreciation charge for the year	-	-	(26)	(662)	(637)	(89,153)	(2,225)	(89)	(2,716)	(2,313)	(752)	(1,323)	(1,369)	(101,265)
Closing net book value	417	293	193	24,294	-	1,102,441	14,038	1,367	32,701	8,392	995	4,637	6,549	1,196,317
At 30 June 2008														
Cost	417	293	1,015	33,887	-	1,537,604	22,626	2,394	49,524	16,930	7,440	8,447	7,918	1,688,495
Accumulated depreciation	-	-	(822)	(9,593)	-	(435,163)	(8,588)	(1,027)	(16,823)	(8,538)	(6,445)	(3,810)	(1,369)	(492,178)
Net book value	417	293	193	24,294	-	1,102,441	14,038	1,367	32,701	8,392	995	4,637	6,549	1,196,317
Depreciation rate % per annum	-	-	2.5%	2.5%	10%	6%	10%	6%	6%	15%	25%	20%	20%	

4.2 The price of freehold land is provisional and may require adjustment when final settlement will be reached with the vendors.

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

	Note	2009	2008
		(Rupees in thousand)	
Cost of sales	21	99,830	97,023
Administration and general expenses	22	3,963	4,242
		103,793	101,265

4.4 Particulars of operating fixed assets disposed off during the year are as follows:

	Cost	Accumulated depreciation	Net book value	Sales proceeds	Mode of disposal	Particulars of buyers	Location
	------------Rupees in thousand------------						
Vehicle - leased							
Honda City	854	214	640	765	As per Company's policy	Saleem Akbar	Karachi
Vehicle - owned							
Toyota Fork lift	159	132	27	50	Tender	Anwar Hussain	Karachi
Toyota Fork truck	162	162	-	69	Tender	Anwar Hussain	Karachi
2009	**1,175**	**508**	**667**	**884**			
2008	7,687	7,498	189	8,434			

	Note	2009	2008
4.5 Capital work-in-progress		(Rupees in thousand)	
Plant and machinery		3,044	8,742
The movement in capital work-in-progress is as follows:			
Balance as at beginning of the year		8,742	300
Additions during the year			
- Plant and machinery		129,599	8,442
- Building		1,075	-
		130,674	8,442
Transfers to operating fixed assets			
- Plant and machinery		135,297	-
- Building		1,075	-
		136,372	-
Balance as at end of the year		3,044	8,742
5. LONG-TERM DEPOSITS			
Security deposits	5.1	16,757	16,296

5.1 These include deposits amounting to Rs 11.661 million and Rs 3.705 million (2008: Rs 11.661 million and Rs 3.705 million) given to the Karachi Electric Supply Corporation Limited (KESC) and the Sui Southern Gas Company Limited (SSGC) respectively.

	Note	2009	2008
		(Rupees in thousand)	
6. STORES, SPARES AND LOOSE TOOLS			
Stores		**6,015**	4,523
Spares - in hand		**94,631**	82,033
Spares - in transit		**1,793**	426
Less: Spares written off		**6,587**	-
		89,837	82,459
Loose tools		**154**	138
		96,006	87,120
Less: Provision for slow moving and obsolete stores and spares		**14,341**	14,341
		81,665	72,779
7. STOCK-IN-TRADE			
Raw materials - in hand		**87,395**	105,155
Raw materials - in transit		**10,538**	19,538
		97,933	124,693
Less: Slow moving raw material written off		**1,632**	-
Provision against slow moving raw materials		**-**	1,541
		96,301	123,152
Work-in-process		**5,791**	5,929
Semi-finished goods		**35,501**	19,058
		41,292	24,987
Finished goods		**161,312**	125,270
Less: Finished goods written off during the year		**35,843**	-
Provision for slow moving and obsolete stock-in-trade		**1,642**	-
		123,827	125,270
		261,420	273,409
8. TRADE DEBTS - considered good			
Unsecured			
Due from Pakistan Security Printing Corporation (Private) Limited - related party	8.1	**290,289**	264,137

8.1 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 371.308 million (2008: Rs 264.137 million).

	Note	2009	2008
		(Rupees in thousand)	
9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - considered good			
- employees - secured		26	186
- suppliers - unsecured		3,630	17,327
		3,656	17,513
Due from related parties			
Receivable from provident fund		-	4,015
Receivable from gratuity fund	23.1.2	21,476	8,524
		21,476	12,539
Due from others			
Short-term deposits		35	2,096
Short-term prepayments		6,648	160
Others		1,469	317
		8,152	2,573
		33,284	32,625
10. ACCRUED MARK-UP			
Deposit and savings accounts		4	73
Pakistan investment bond		-	266
Special saving certificates		36,606	-
Term finance certificates		430	-
Certificates of investments		3,194	-
Term deposit receipts		3,002	12,425
Security deposits		562	948
		43,798	13,712
11. LOANS AND RECEIVABLES			
Having maturity more than three months			
Term deposit receipts	11.1	100,045	570,041
Certificate of investments	11.2	150,000	-
Special Saving Certificates	11.3	950,000	-
Having maturity upto three months			
Term deposit receipts	11.1	50,000	200,000
		1,250,045	770,041

11.1 These represent term deposit receipts with IGI Investment Bank and Faysal Bank Limited maturing on various dates by November 2009. Return on these investments ranges from 11.5% to 14.5% per annum (2008: 10 % to 13 % per annum).

11.2 This represents investment in certificates of investment of Pak Oman Investment Limited carrying profit at the rate of 13.4% (2008: Nil) per annum and maturing on 4 November 2009.

11.3 This represents investments in special saving certificates carrying profit ranging from 13% to 14.4%. The profit payments are semi annually and investments can be withdrawn at any time after one month of investment. The certificates mature on various dates by 2012, however management intends to encash these certificates by next year to meet liquidity requirements.

	Note	2009	2008
		(Rupees in thousand)	
12. INVESTMENTS			
Available for sale			
Term finance certificates			
B.R.R. Guardian Modaraba			
4,400 (2008: Nil) units of Rs 5,000 each	12.1	**21,092**	-
Mutual Funds			
Pakistan Income Fund			
Nil (2008: 1,874,692) units of Rs 50 each		-	96,472
UTP-Income Fund			
Nil (2008: 597,161) units of Rs 500 each		-	62,148
NAFA Cash Fund			
Nil (2008: 6,052,786) units of Rs 10 each		-	65,230
AMZ Plus Income Fund			
Nil (2008: 395,844) units of Rs 100 each		-	43,888
Askari Income Fund			
Nil (2008: 413,135) units of Rs 100 each		-	42,958
United Growth and Income Fund			
Nil (2008: 207,147) units of Rs 100 each		-	21,379
Dawood Money Market Fund			
155,823 (2008: 141,395) units of Rs 100 each	12.2	**12,628**	15,665
Faysal Savings Growth Fund			
Nil (2008: 151,318) units of Rs 100 each		-	15,669
		12,628	363,409
		33,720	363,409
Held to maturity			
Pakistan Investment Bond		-	24,858
Treasury Bills	12.3	**102,453**	-
		136,173	388,267

12.1 This represents investment in 5 years term finance certificates and carries profit at the rate of six months KIBOR plus 1.3% (2008: Nil) per annum with maturity on 7 July 2014.

12.2 In December 2008, the Company recorded an impairment loss of Rs 3.702 million on this investment.

12.3 This represents investment in six months treasury bill and carries profit at the rate of 13% (2008: Nil) per annum with maturity on 5 November 2009. Fair value of the treasury bill as at 30 June 2009 is Rs 102.578 million (2008: Nil).

	Note	2009	2008
		(Rupees in thousand)	
13. CASH AND BANK BALANCES			
Cash in hand		**282**	182
With banks in:			
- Current accounts		**4,015**	4,510
- Deposit accounts		**3,622**	145,729
- Saving accounts	16.2	**56,928**	3,808
- Dividend accounts		**4,541**	3,845
		69,106	157,892
		69,388	158,074

14. SHORT-TERM FINANCE - secured

14.1 Running finance

As at 30 June 2009, the Company has an unavailed running finance facility from National Bank of Pakistan amounting to Rs 100 million (2008: Rs 100 million).

The arrangement is secured by way of hypothecation on stores, spares, loose tools, stock-in-trade and book debts of the Company and is available till 31 December 2009. The outstanding balance against this facility will be subject to mark-up at the rate of one month's average Karachi Inter Bank Offered Rate (KIBOR) plus 50 basis points (2008: one month's average KIBOR plus 50 basis points).

14.2 Import letter of credit (sight / usance)

As at 30 June 2009, the Company has a facility from the National Bank of Pakistan relating to import letters of credit (sight / usance) amounting to Rs 100 million (2008: Rs 100 million).

15. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2009			2008		
	Minimum lease payments	**Finance charge**	**Present value of minimum lease payments**	Minimum lease payments	Finance charge	Present value of minimum lease payments
	Rupees in thousand					
Not later than one year	**2,656**	**1,012**	**1,644**	1,777	443	1,334
Later than one year and not later than five years	**7,963**	**1,278**	**6,685**	6,210	1,362	4,848
	10,619	**2,290**	**8,329**	7,987	1,805	6,182

The above represents finance leases entered into with First Habib Modaraba for lease of motor vehicles. The liability under the agreements is payable by July 2014 in quarterly installments and is subject to annual finance charge rates at KIBOR plus 200 to 300 basis points (2008: KIBOR plus 200 basis points).

The Company has entered into Ijarah arrangement with a financial institution in respect of a vehicle. Islamic Financial Accounting Standard (IFAS) No.2 "Ijarah" was notified by SECP vide S.R.O. 431 (I) / 2007 on 22 May 2007. The said IFAS requires the Ujrah payments under such arrangements to be recognised as an expense over the ijarah term The Company intends to acquire such asset at the end of the lease term and has consequently recorded such arrangements under IAS-17 "Leases".

	Note	2009	2008
		(Rupees in thousand)	

16. TRADE AND OTHER PAYABLES

	Note	2009	2008
Creditors		**39,090**	28,214
Payable against capital expenditure		**-**	60
Utilities		**10,545**	7,946
Provision for fire tax	16.1	**34,704**	32,858
Salaries, wages and benefits payable		**35,458**	23,274
Provision for employees compensated absences	23.1.2	**14,686**	12,032
Payable to provident fund		**197**	-
Sales tax payable		**7,257**	14,512
Special excise duty payable		**827**	1,277
Deposits repayable on demand	16.2	**5,967**	3,703
Advances from customers		**1,363**	3,401
Workers' profit participation fund	16.3	**683**	2,910
Workers' welfare fund		**24,301**	22,709
Unclaimed dividend		**4,576**	3,844
Others	16.4	**17,371**	8,809
		197,025	165,549

16.1 Provision for fire tax

	2009	2008
Balance as at 1 July 2008	**32,858**	30,976
Add: Charge for the year	**1,846**	1,882
	34,704	32,858

The Karachi Metropolitan Corporation (KMC) vide notification no.FB/DCFO/ENH-F.T-81/2001 dated 23/05/2001 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 full provision in respect of the above tax based on the notification issued by KMC.

16.2 These represent interest free security deposits received from various contractors / suppliers which are kept in a separate savings bank account (Note 13).

16.3 Workers' profit participation fund

	Note	2009	2008
		(Rupees in thousand)	
Balance as at 1 July 2008		**2,910**	174
Add:			
Allocation for the year	25	**26,684**	25,642
Interest on funds utilised in the company's business	26	**209**	6
		26,893	25,648
		29,803	25,822
Less: Paid during the year		**29,120**	22,912
		683	2,910

16.4 Amounts payable to related parties at the year end aggregated Rs 3.391 million (2008: Rs 0.007 million).

	Note	2009	2008
		(Rupees in thousand)	
17. DEFERRED TAXATION - net			
Deferred tax liability arising due to accelerated tax depreciation		**139,704**	97,271
Deferred tax asset arising in respect of:			
Provision for slow moving and obsolete stores and spares		**(5,019)**	(2,938)
Provision for slow moving and obsolete stock-in-trade		**(575)**	(539)
Assets acquired on finance lease		**(179)**	(2,164)
		(5,773)	(5,641)
		133,931	91,630

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

	Note	2009	2008
Income tax	18.2	**10,221**	10,221
Claims against the Company not acknowledged as debt		**2,057**	1,824
		12,278	12,045

18.2 The Income Tax authorities had raised 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 has 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.

18.3 Commitments

	2009	2008
Capital expenditure contracted for but not incurred	**13,429**	108,763
Commitments against letters of credit	**40,398**	11,024
	53,827	119,787

19. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2009			2008				2009	2008
Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total		(Rupees in thousand)	
Number of shares								
1,250,000	-	1,250,000	1,250,000	-	1,250,000	Ordinary shares fully paid in cash	12,500	12,500
-	33,041,658	33,041,658	-	27,326,382	27,326,382	Ordinary shares issued as fully paid bonus shares	330,416	273,263
1,250,000	33,041,658	34,291,658	1,250,000	27,326,382	28,576,382		342,916	285,763
-	6,858,331	6,858,331	-	5,715,276	5,715,276	Shares issued during the year as fully paid bonus shares	68,583	57,153
1,250,000	39,899,989	41,149,989	1,250,000	33,041,658	34,291,658	Closing balance	411,499	342,916

19.1 The following shares were held by the related parties of the Company as at 30 June 2009:

Name of related party	2009 Shares held	2009 Percentage	2008 Shares held	2008 Percentage
Pakistan Security Printing Corporation (Private) Limited	**16,473,430**	**40.03%**	13,727,859	40.03%
Summer Holding A.S. (Turkey)	**4,114,976**	**10.00%**	3,429,147	10.00%
Industrial Development & Renovation Organisation of Iran, Tehran (Iran)	**4,114,976**	**10.00%**	3,429,147	10.00%

20. SALES - net

	Note	2009 (Rupees in thousand)	2008 (Rupees in thousand)
Banknote paper		**1,151,540**	1,093,577
Non-banknote paper:			
- Commercial paper		**150,586**	78,434
- Others		**18,886**	5,848
		169,472	84,282
		1,321,012	1,177,859
Less: Sales tax / special excise duty		**191,942**	153,638
		1,129,070	1,024,221

21. COST OF SALES

	Note	2009	2008
Opening stock of raw materials		**124,693**	94,510
Add: Purchases - net		**293,874**	264,062
		418,567	358,572
Less: Closing stock of raw materials	7	**97,933**	124,693
Raw materials consumed		**320,634**	233,879
Salaries, wages and benefits	21.1	**133,407**	103,314
Technical assistance fee		**9,120**	10,379
Stores, spares and loose tools consumed		**37,717**	28,990
Utilities		**107,119**	89,048
Repairs and maintenance		**10,020**	7,582
Insurance		**2,517**	3,079
Rent, rates and taxes		**514**	499
Depreciation	4.3	**99,830**	97,023
Other expenses		**277**	445
		721,155	574,238
Opening stock of work-in-process and semi-finished goods		**24,987**	40,942
Less: Closing stock of work-in-process and semi-finished goods		**41,292**	24,987
Cost of goods manufactured		**704,850**	590,193
Opening stock of finished goods		**125,270**	92,798
Less: Closing stock of finished goods		**161,312**	125,270
		668,808	557,721

21.1 Employee retirement benefits

Salaries, wages and benefits include Rs 9.428 million (2008: Rs 7.398 million) in respect of employee retirement benefits.

22. ADMINISTRATION AND GENERAL EXPENSES

	Note	2009	2008
		(Rupees in thousand)	
Salaries, wages and benefits	22.1	**56,155**	44,404
Rent, rates and taxes		**578**	597
Travelling expenses including those of directors Rs 0.224 million (2008: Rs 0.358 million)		**1,307**	742
Printing and stationery		**1,900**	1,366
Repairs and maintenance		**4,790**	3,527
Packing and forwarding		**353**	295
Advertisement		**1,159**	809
Training		**55**	174
Software expenses		**1,134**	883
Communication		**886**	990
Entertainment		**827**	874
Legal and professional		**1,441**	1,852
Depreciation	4.3	**3,963**	4,242
Others		**880**	942
		75,428	61,697

22.1 Employee retirement benefits

Salaries, wages and benefits include Rs. 3.295 million (2008: Rs 3.171 million) in respect of employee retirement benefits.

23. EMPLOYEE BENEFITS

23.1 Gratuity and compensated absences

As mentioned in note 3.11 and 3.12, the Company operates an approved gratuity fund and provides for liability in respect of employees' compensated absences. The latest actuarial valuations of these benefits were carried out as at 30 June 2009. The projected unit credit method, using the following significant assumptions has been used for the actuarial valuation.

23.1.1 Actuarial assumptions

	2009		2008	
	Gratuity fund	**Employees' compensated absences**	Gratuity fund	Employees' compensated absences
	-----------------(In percent)---------------			
a) Discount rate	**14**	**14**	10	10
b) Expected rate of increase in salary	**14**	**14**	9	9

23.1.2 Amounts recognised in the balance sheet are as follows:

	Note	2009		2008	
		Gratuity fund	**Employees' compensated absences**	Gratuity fund	Employees' compensated absences
		----------------(Rupees in thousand)---------------			
Present value of defined benefit obligations	23.1.3	**214,568**	**14,686**	199,339	12,032
Less: Fair value of plan assets	23.1.4	**216,679**	**-**	204,718	-
		(2,111)	**14,686**	(5,379)	12,032
Unrecognised actuarial loss		**(19,365)**	**-**	(3,145)	-
(Asset) / liability on balance sheet		**(21,476)**	**14,686**	(8,524)	12,032

	2009		2008	
	Gratuity fund	**Employees' compensated absences**	Gratuity fund	Employees' compensated absences
	---(Rupees in thousand)---			
23.1.3 Movement in present value of defined benefit obligations				
Opening present value of obligation	**199,339**	**12,032**	179,650	9,468
Current service cost	**2,821**	**-**	2,542	-
Cost for the year - net	**-**	**2,654**	-	2,564
Interest cost	**5,706**	**-**	4,391	-
Benefits paid	**(21,480)**	**-**	(6,523)	-
Actuarial loss on obligation	**7,710**	**-**	-	-
Income distributed among the members	**20,472**	**-**	19,279	-
Closing present value of obligation	**214,568**	**14,686**	199,339	12,032
23.1.4 Movement in the fair value of plan assets				
Opening fair value of plan assets	**204,718**	**-**	180,878	-
Actual return on plan assets	**-**	**-**	19,279	-
Expected return on plan assets	**20,472**	**-**	-	-
Actuarial gain on plan assets	**(8,511)**	**-**	-	-
Benefits paid	**(21,480)**	**-**	(2,372)	-
Contribution by Company	**21,480**	**-**	6,933	-
Closing fair value of plan assets	**216,679**	**-**	204,718	-
23.1.5 Expense recognised in the profit and loss account				
Expense for the year	**-**	**2,654**	-	2,564
Current service cost	**2,821**	**-**	2,542	-
Interest cost	**5,706**	**-**	4,391	-
Cost for the year	**8,527**	**2,654**	6,933	2,564
23.1.6 Plan assets comprised of following				
Defence Saving Certificates (DSCs)	**21%**	**-**	41%	-
Regular Income Certificates (RICs)	**61%**	**-**	-	-
Special Saving Certificates (SSCs)	**11%**	**-**	-	-
Bank account and short-term deposits	**6%**	**-**	58%	-
Others (FIBs, PIBs, TFCs)	**1%**	**-**	1%	-
	100%	**-**	100%	-

	Gratuity fund				
	2009	2008	2007	2006	2005
	---Rupees in thousand---				
23.1.7 (Surplus) / deficit on the plan assets are as follows:					
Present value of defined benefit obligation	**214,568**	199,339	179,650	151,808	141,455
Fair value of plan assets	**216,679**	204,718	180,878	155,028	135,283
(Surplus) / deficit	**(2,111)**	(5,379)	(1,228)	(3,220)	6,172

	Employees' compensated absences				
	2009	2008	2007	2006	2005
	---Rupees in thousand---				
Present value of defined benefit obligation	14,686	12,032	9,468	10,798	10,697
Fair value of plan assets	-	-	-	-	-
(Surplus) / deficit	14,686	12,032	9,468	10,798	10,697

23.1.8 5 years data on experience adjustments are as follows:

	Gratuity fund				
	2009	2008	2007	2006	2005
	---Rupees in thousand---				
Experience adjustments on plan liabilities	-	-	3,541	(1,770)	4,487
Experience adjustments on plan assets	-	-	-	-	-

	Employees' compensated absences				
	2009	2008	2007	2006	2005
	---Rupees in thousand---				
Experience adjustments on plan liabilities	-	-	-	-	-
Experience adjustments on plan assets	-	-	-	-	-

23.1.9 Based on actuarial advice the Company intends to charge an amount of approximately Rs 16.273 million in respect of gratuity fund in the financial statements for the year ending 30 June 2010.

23.1.10 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 2009.

23.1.11 The information provided in notes 23.1.1 to 23.1.10 has been obtained from the valuation carried out by independent actuaries as at 30 June 2009.

23.2 Defined contribution plan

An amount of Rs 4.196 million (2008: Rs 3.636 million) has been charged during the year in respect of contributory provident fund maintained by the Company.

24. OTHER OPERATING INCOME

	2009	2008
	(Rupees in thousand)	
Income from financial assets		
Gain on redemption of investment in mutual funds	**46,318**	-
Amortisation of discount on Pakistan Investment Bond and Term Finance Certificates	**168**	147
Mark-up on:		
- Pakistan Investment Bonds	**2,006**	2,275
- Treasury bills	**22,968**	-
- Term deposit receipts	**57,520**	78,832
- Special saving certificates	**36,606**	-
- Certificate of investments	**3,194**	-
- Term finance certificates	**430**	-
- Bank deposits and savings account	**27,409**	15,953
- Security deposits	**737**	739
	197,356	97,946
Income from non-financial assets		
Gain on sale of property, plant and equipment	**217**	8,832
Sale of waste materials	**4,407**	3,546
Rental income	**-**	2,020
Other income	**437**	-
	5,061	14,398
	202,417	112,344

	Note	2009	2008
		(Rupees in thousand)	
25. OTHER OPERATING CHARGES			
Auditors' remuneration	25.1	**680**	580
Exchange loss		**1,060**	1,061
Workers' profit participation fund	16.3	**26,684**	25,642
Workers' welfare fund		**9,864**	9,744
Stores and spares written off		**6,587**	-
Slow moving raw materials written off		**91**	-
Finished goods written off		**35,843**	-
Provision for slow moving raw materials		**1,642**	1,541
Donation	25.2	**6,100**	600
		88,551	39,168

25.1 Auditors' remuneration

		2009	2008
Audit fee		**500**	250
Audit of funds, special certification and other services		**180**	249
Out of pocket expenses		**-**	81
		680	580

25.2 Donation

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

26. FINANCE COSTS

	Note	2009	2008
Interest / mark-up on:			
- Short-term finance		**27**	45
- Workers' profit participation fund	16.3	**209**	6
- Finance leases		**1,390**	371
Bank charges		**161**	105
		1,787	527

27. TAXATION - net

		2009	2008
Current - for the year		**117,953**	140,142
- for prior year		**802**	10,860
		118,755	151,002
Deferred		**42,301**	29,029
		161,056	180,031

27.1 Reconciliation between tax expense and accounting profit

		2009	2008
Accounting profit before taxation		**493,211**	477,452
Tax on accounting profit @ 35% (2008: 35%)		**172,624**	167,108
Tax for prior year		**802**	10,860
Income exempted from tax		**(16,212)**	-
Others		**3,842**	2,063
		161,056	180,031

	Note	2009	2008
		(Rupees in thousand)	
28. EARNINGS PER SHARE			
Profit after taxation		**332,155**	297,421
		(Number of shares)	
Weighted average number of ordinary shares	19	**41,149,989**	41,149,989
		(Rupees)	
Earnings per share - basic and diluted		**8.07**	7.23

28.1 There were no convertible dilutive potential ordinary shares in issue as at 30 June 2009 and 30 June 2008.

28.2 The number of shares for the previous year have been adjusted for the effect of bonus shares issued during the year.

29. 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:

	2009			2008		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees in thousand					
Directors' fee	-	285	-	-	215	-
Managerial remuneration (including bonus)	-	-	9,880	-	-	6,378
Housing, utilities and other perquisites	1,008	-	6,236	562	-	4,734
Retirement benefits	-	-	805	-	-	449
Medical	-	-	681	-	-	484
Total	1,008	285	17,602	562	215	12,045
Number of persons	1	8	9	1	8	8

29.1 The Chief Executive is provided with free use of Company's owned and maintained car.

29.2 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.

29.3 The above figures do not include amounts and facilities paid or provided for by the associated company to the Chief Executive.

30. TRANSACTIONS WITH RELATED PARTIES

	2009		
	Key Management personnel	**Associated under-takings**	**Total**
	-------(Rupees in thousand)-------		
Transactions during the year:			
Sale of goods to Pakistan Security Printing Corporation (Private) Limited - net	**-**	**1,114,013**	**1,114,013**
Remuneration to key management personnel	**18,895**	**-**	**18,895**
Balance outstanding at the year end			
Receivable from Pakistan Security Printing Corporation (Private) Limited (Note 8)	**-**	**290,289**	**290,289**
Payable to Pakistan Security Printing Corporation (Private) Limited (Note 16.4)	**-**	**3,391**	**3,391**

	2008		
	Key Management personnel	Associated under-takings	Total
	-------(Rupees in thousand)-------		
Transactions during the year:			
Sale of goods to Pakistan Security Printing Corporation (Private) Limited - net	-	1,023,045	1,023,045
Remuneration to key management personnel	13,322	-	13,322
Balance outstanding at the year end			
Receivable from Pakistan Security Printing Corporation (Private) Limited (Note 8)	-	264,136	264,136
Payable to Pakistan Security Printing Corporation (Private) Limited (Note 16.4)	-	7	7

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 16.3 and 23 to the financial statements.

31. PRODUCTION CAPACITY

	2009	2008
	---------- (Tonnes) ----------	
Total Installed Capacity - on three shift basis	**2,000**	2,000
Available installed capacity -based on available three shift working days	**1,890**	1,890
Actual production	**1,724**	1,798

The short capacity utilization during the year was due to scheduled plant (PM-2) shut down of 15 days (2008: 20 days) for maintenance purpose.

32. CASH GENERATED FROM OPERATIONS

	Note	2009	2008
		(Rupees in thousand)	
Profit before taxation		**493,211**	477,452
Adjustments for:			
Depreciation		**103,793**	101,265
Gain on disposal of property, plant and equipment		**(217)**	(8,832)
Finished goods written off		**35,843**	-
Stores and spares written off		**6,587**	-
Provision for slow moving and obsolete stock-in-trade		**1,642**	1,541
Slow moving stores and spares written off		**91**	-
Impairment loss on available for sale investments		**3,702**	-
Capital gain on redemption of investment in mutual funds		**(46,318)**	-
Mark-up on investments		**(122,724)**	(2,275)
Mark-up on bank deposits and saving accounts		**(27,409)**	(16,692)
Mark-up on security deposits		**(737)**	(78,832)
Amortisation of discount on Pakistan investment bond and Term finance certificates		**(168)**	(147)
Finance costs		**1,787**	527
Working capital changes	32.1	**(36,009)**	(239,470)
		(80,137)	(242,915)
		413,074	234,537

32.1 Working capital changes

	2009	2008
(Increase) / decrease in current assets		
Stores, spares and loose tools	**(15,473)**	(15,824)
Stock-in-trade	**(25,587)**	(46,700)
Trade debts	**(26,152)**	(200,360)
Advances, deposits, prepayments and other receivables	**(659)**	(19,741)
Accrued mark-up	**386**	(579)
	(67,485)	(283,204)
Increase / (decrease) in current liabilities		
Trade and other payables	**31,476**	43,734
	(36,009)	(239,470)

33. CASH AND CASH EQUIVALENTS

	Note	2009	2008
		-------(Rupees in thousand)-------	
Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts:			
Cash and bank balances	13	**69,388**	158,074
Short-term investments having maturity upto three months	11	**50,000**	200,000
		119,388	358,074

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 accounting 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 1,807.954 million (2008: Rs 1,612.940 million), the financial assets which are subject to credit risk amounted to Rs 755.219 million (2008: Rs 1,612.758 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 16% (2008: 16%) 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:

	2009	2008
	(Rupees in thousand)	
Investments	**33,720**	388,267
Trade debts	**290,289**	264,137
Deposits, accrued mark up and other receivables	**62,059**	32,421
Loans and receivables	**300,045**	770,041
Bank balances	**69,106**	157,892
	755,219	1,612,758

Investments comprise of Term Finance Certificates, Units of Mutual Funds, Certificates of Investments and Term Deposit Receipts. The analysis below summarises the credit quality of the Company's investments.

	2009	2008
Term Finance Certificates	**A+**	A+
Units of Mutual Funds:		
Pakistan Income funds	**-**	5*
UTP-Income fund	**-**	5*
NAFA Cash Fund	**-**	A(F)
AMZ Plus Income Fund	**-**	5*
Askari Income Fund	**-**	A(F) & 5*
United Growth and Income Fund	**-**	A(f)
Dawood Money Market Fund	**A(f)**	5*
Faysal Savings Growth Fund	**-**	A+(f)
Certificates of Investments	**AA+/A1+**	-
Term Deposit Receipts	**AA+/A1+**	AA+/A1+

All the counterparties are of domestic origin. None of the financial assets of the Company were considered to be past due.

34.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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 unavailed facility of running finance amounting to Rs 100 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:

	2009					
	Carrying amount	**Contractual cash flows**	**Six months or less**	**Six to twelve months**	**One to two years**	**Two to five years**
	(Rupees in thousand)					
Financial Liabilities						
Trade and other payables	**147,704**	**(147,704)**	**(147,704)**	**-**	**-**	**-**
Liabilities against asset subject to finance lease	**8,329**	**(10,619)**	**(1,328)**	**(1,328)**	**(3,526)**	**(4,437)**
Accrued mark up	**9**	**(9)**	**(9)**	**-**	**-**	**-**
	156,042	**(158,332)**	**(149,041)**	**(1,328)**	**(3,526)**	**(4,437)**

	2008					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	(Rupees in thousand)					
Financial Liabilities						
Trade and other payables	108,704	(108,704)	(108,704)	-	-	-
Liabilities against asset subject to finance lease	6,182	(7,987)	(888)	(889)	(2,809)	(3,401)
Accrued mark up	4	(4)	(4)	-	-	-
	114,890	(116,695)	(109,596)	(889)	(2,809)	(3,401)

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 exposed to currency risk on technical assistance fee payable to Eurotech's Claus Jung in Euros and import of raw materials being denominated in US dollars and Euros.

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

	2009		
	USD	**Euro**	**Total**
	-------(Rupees in thousand)-------		
Technical fee payable	**-**	**3,620**	**3,620**
Outstanding letters of credit	**14,318**	**26,080**	**40,398**
Net exposure	**14,318**	**29,700**	**44,018**

	2008		
	USD	Euro	Total
	------------(Rupees in thousand)------------		
Technical fee payable	-	2,719	2,719
Outstanding letters of credit	11,024	-	11,024
Net exposure	11,024	2,719	13,743

The following significant exchange rates have been applied:

	Average rate		**Reporting date rate**	
	2009	2008	**2009**	2008
USD to PKR	**78.89**	62.77	**81.30**	68.20
Euro to PKR	**107.99**	93.39	**114.82**	107.65

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.

	2009	2008
	(Rupees in thousand)	
Effect on profit		
Increase / decrease	**362**	272

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

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:

Financial assets	**2009**	2008	**2009**	2008
	Effective interest rate (in Percent)		**Carrying amount (Rupees in '000)**	
Fixed rate instruments				
Special Saving Certificates	**13 to 14.4**	-	**950,000**	-
Treasury Bills	**13**	-	**102,453**	-
Certificates of Investment	**13.4**	-	**150,000**	-
Term deposit receipts	**11.5 to 14.5**	10 to 13	**150,045**	770,041
			1,352,498	770,041
Variable rate instruments				
Term finance certificates	**16.98**	-	**21,092**	-

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 2008.

	Profit and loss 100 bp	
	increase	**decrease**
	(Rupees in thousand)	
As at 30 June 2009		
Cash flow sensitivity-Variable rate instruments	**25**	(25)
As at 30 June 2008		
Cash flow sensitivity-Variable rate instruments	**-**	-

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 arises from the Company's investment in units of mutual funds. To manage its price risk arising from investment in units of mutual fund, the Company diversifies its portfolio.

A 10% increase / decrease in redemption prices at year end would have increased / decreased the Company's surplus on re-measurement of investments classified as 'available for sale' and the value of investments as follows:

	2009	2008
	(Rupees in thousand)	
Pakistan Income funds	**-**	9,647
UTP-Income fund	**-**	6,215
NAFA Cash Fund	**-**	6,523
AMZ Plus Income Fund	**-**	4,389
Askari Income Fund	**-**	4,296
United Growth and Income Fund	**-**	2,138
Dawood Money Market Fund	**1,263**	1,567
Faysal Savings Growth Fund	**-**	1,567
	1,263	36,342

The sensitivity analysis prepared is not necessarily indicative of the effects on 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.

35 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company finances its operations through equity, short term borrowings and managing working capital. The Company has no gearing risk in current year that is to be managed as it does not have any long term borrowings.

36 CORRESPONDING FIGURES

Previous year's figures of loans and advances amounting to Rs 17.513 million has been reclassified to advances, deposits, prepayments and other receivables for the purpose of better presentation.

37 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on July 30, 2009 has proposed a cash dividend in respect of the year ended 30 June 2009 of Rs 5/- per share i.e. 50% (2008: cash dividend Rs 3.00 per share and bonus issue at 20%). In addition, the directors have also announced appropriation of Rs126.50 million (2008 : Rs 125.96 million) to revenue reserves. These appropriations will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended 30 June 2009 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

38 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on July 30, 2009 by the Board of Directors of the Company.

Naiyer Muzafar Husain
Chief Executive

Mustapha A. Chinoy
Director

Pattern of Shareholding

as at June 30, 2009

No. of Shareholders	*Shareholding		Total Shares Held
	From	To	
311	1	100	10,016
395	101	500	108,711
257	501	1000	189,190
393	1001	5000	922,921
86	5001	10000	607,210
28	10001	15000	340,923
19	15001	20000	328,225
5	20001	25000	112,114
4	25001	30000	110,887
2	30001	35000	64,179
4	35001	40000	149,109
4	40001	45000	168,695
6	45001	50000	287,983
3	50001	55000	156,816
3	55001	60000	173,142
2	75001	80000	153,044
1	80001	85000	81,672
1	95001	100000	98,145
1	135001	140000	139,464
1	225001	230000	225,388
1	245001	250000	250,000
1	275001	280000	279,670
1	530001	535000	533,823
1	870001	875000	874,102
1	1830001	1835000	1,834,812
1	1890001	1895000	1,890,009
1	2950001	2955000	2,954,362
1	3400001	3405000	3,401,995
2	4110001	4115000	8,229,952
1	16470001	16475000	16,473,430

* Note : There is no shareholding in the slabs not mentioned

1,537		TOTAL	41,149,989

Pattern of Shareholding

as at June 30, 2009

Categories of Shareholders	Number	Shares held	Percentage
Associated Companies, Undertakings and Related Parties	**3**	**24,703,382**	**60.03**
SUMER HOLDING A.S.	1	4,114,976	10.00
INDUSTRIAL DEVELOPMENT & RENOVATION ORGANISATION OF IRAN	1	4,114,976	10.00
PAKISTAN SECURITY PRINTING CORPORATION (PVT.) LIMITED	1	16,473,430	40.03
NIT and ICP	**3**	**4,258,644**	**10.35**
NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT.	2	3,724,821	9.05
NATIONAL INVESTMENT TRUST LIMITED - ADMINISTRATION FUND	1	533,823	1.30
Directors, Chief Executive Officers and their spouse and minor children	**3**	**21,614**	**0.05**
MUSTAPHA A.CHINOY	1	20,362	0.05
SHEIKH MOHAMMAD AIJAZ AKHTAR	2	1,252	0.00
Executives	**Nil**	**Nil**	**-**
Public Sector Companies and Corporations	**Nil**	**Nil**	**-**
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	**18**	**7,513,217**	**18.26**
HABIB BANK LIMITED	2	1,655	0.00
STATE LIFE INSURANCE CORPORATION OF PAKISTAN	2	3,402,182	8.27
PAKISTAN REINSURANCE COMPANY LIMITED	2	918,429	2.23
INNOVATIVE INVESTMENT BANK LIMITED	1	1,000	0.00
UNITED BANK LIMITED	1	224	0.00
MERCANTILE COOPERATIVE FINANCE CORPORATION LIMITED	1	24,672	0.06
MUSLIM COMMERCIAL BANK LIMITED	1	108	0.00
E F U GENERAL INSURANCE LIMITED	1	525	0.00
PREMIER INSURANCE LIMITED	1	10,611	0.03
CENTURY INSURANCE COMPANY LIMITED	1	46,296	0.11
BANK ALFALAH LIMITED	1	27	0.00
THE PUNJAB PROVINCIAL COOPERATIVE BANK	1	2,954,362	7.18
CDC TRUSTEE-PAKISTAN STOCK MARKET FUND	1	76,522	0.19
FIRST DAWOOD INVESTMENT BANK LIMITED - OTHERS	1	82	0.00
PAKISTAN PREMIER FUND LIMITED	1	76,522	0.19
General Public	**1469**	**3,550,306**	**8.63**
a. Local	1469	3,550,306	8.63
b. Foreign	-	-	-

Pattern of Shareholding

as at June 30, 2009

Categories of Shareholders	Number	Shares held	Percentage
Others	**41**	**1,102,826**	**2.68**
ADMINISTRATOR ABANDONED PROPERTIES	1	279,670	0.68
FIKREE DEVELOPMENT CORPORATION	1	3,907	0.01
AZEEM SERVICES (PVT.) LIMITED	1	1	0.00
N. H. SECURITIES (PVT.) LIMITED	1	37	0.00
JAVED OMER VOHRA & COMPANY LIMITED	1	52,176	0.13
TRUSTEES D.G.KHAN CEMENT EMPLOYEES PROVIDENT FUND	2	70,640	0.17
PRUDENTIAL SECURITIES LIMITED	1	38	0.00
ARIF HABIB SECURITIES LIMITED	1	37,440	0.09
RAMADA INVESTORS SERVICES LIMITED	1	67	0.00
MOOSANI SECURITIES (PVT.) LIMITED	1	2,160	0.01
TECHNOLOGY LINKS (PVT.) LIMITED	2	4,680	0.01
Y.S. SECURITIES & SERVICES (PVT.) LIMITED	1	72	0.00
DAWOOD FOUNDATION	1	225,388	0.55
SIZA (PRIVATE) LIMITED	1	2,400	0.01
MOHAMAD AMIN BROS (PVT.) LIMITED	1	6,000	0.01
AN HOLDINGS LIMITED	1	21,000	0.05
TRUSTEES SAEEDA AMIN WAKF	1	46,500	0.11
TRUSTEES MOHAMAD AMIN WAKF ESTATE	1	81,672	0.20
TRUSTEES AL-BADER WELFARE TRUST	1	41,184	0.10
S.H. BUKHARI SECURITIES (PVT.) LIMITED	1	645	0.00
CRESCENT SUGAR MILLS & DISTILLERY LIMITED	1	98,145	0.24
H M INVESTMENTS (PVT.) LIMITED	1	276	0.00
NH SECURITIES (PVT.) LIMITED	1	2,576	0.01
EXCEL SECURITIES (PVT.) LIMITED	1	172	0.00
AZEE SECURITIES (PVT.) LIMITED	1	3,500	0.01
MULTILINE SECURITIES (PVT.) LIMITED	1	7,500	0.02
SAT SECURITIES (PVT.) LIMITED	1	2,000	0.00
INVEST AND FINANCE SECURITIES LIMITED	1	7,056	0.02
AMPLE SECURITIES (PVT.) LIMITED	1	42,000	0.10
GENERAL INVEST. & SECURITIES (PVT.) LIMITED	1	216	0.00
PACE INVESTMENT & SEC (PVT.) LIMITED	1	200	0.00
CLIKTRADE LIMITED	1	1	0.00
HUM SECURITIES LIMITED	1	1,300	0.00
ARIF HABIB LIMITED	1	41,184	0.10
MUHAMMAD BASHIR KASMANI SECURITIES (PVT.) LIMITED	1	1,000	0.00
M.R. SECURITIES (SMC-PVT.) LIMITED	1	9,000	0.02
TARIQ SAYEED SECURITIES (PVT.) LIMITED	1	720	0.00
PATEL SECURITIES (PVT.) LIMITED	1	5,400	0.01
DURVESH SECURITIES (PVT.) LIMITED	1	4,903	0.01
Total	**1,537**	**41,149,989**	**100**
Shareholders holding ten percent or more	**Nil**	**Nil**	**-**

COMPANY INFORMATION

BOARD OF DIRECTORS

Executive Director

Mrs. Naiyer Muzafar Husain Chairperson & Chief Executive	-	Nominee - PSPC

Non-executive Directors

Mr. Mustapha A. Chinoy	-	Elected
Mr. Firasat Ali	-	Elected - NIT
Mr. Mehdi Lori Amini - Iran	-	Nominee - IDRO
Ms. Nargis Ghaloo	-	Elected - SLIC
Sheikh Mohammmad Aijaz Akhtar	-	Elected
Mr. Hasan Irfaan	-	Nominee - PSPC
Mrs. Ayla Akin - Turkey	-	Nominee - SHAS
Mr. A. Akbar Sharifzada	-	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*

BOARD AUDIT COMMITTEE

Mr. Mustapha A. Chinoy Non-executive Director	-	Chairman
Mr. Mehdi Lori Amini Non-executive Director	-	Member
Mr. Hasan Irfaan Non-Executive Director	-	Member
Mr. Aftab Alam Internal Auditor	-	Secretary

BOARD HUMAN RESOURCE AND COMPENSATION COMMITTEE

Mrs. Naiyer Muzafar Husain Chairperson & Chief Executive	-	Chairperson
Mr. Mustapha A. Chinoy Non-executive Director	-	Member
Mr. Firasat Ali Non-executive Director	-	Member
Mr. Shah Mahmood Qureshi General Manager (HR&A)	-	Secretary

BOARD INVESTMENT COMMITTEE

Mrs. Naiyer Muzafar Husain Chairperson & Chief Executive	-	Chairperson
Mr. Mustapha A. Chinoy Non-executive Director	-	Member
Ms. Nargis Ghaloo Non-executive Director	-	Member
Mr. Rizwan Ul Haq Khan General Manager (F&A)/CFO	-	Secretary

Company Information

MANAGEMENT AND STRATEGIC PLAN COMMITTEE

Chairperson:

Mrs. Naiyer Muzafar Husain	-	Chairperson & Chief Executive

Members:

Mr. Ghulam Hussain Akhtar	-	Director Operations & Plant Manager
Khawaja Saqib Ahmad	-	General Manager (Production)
Mr. Shah Mahmood Qureshi	-	General Manager (HR&A)
Mr. Muhammad Abdul Aleem	-	Company Secretary
Mr. Aftab Alam	-	Internal Auditor
Mr. Rizwan Ul Haq Khan	-	General Manager (F&A)/CFO
Maj. (Retd.) Muhammad Ali Niazi	-	General Manager (Security)
Mr. Ayaz Ahmad Qureshi	-	D.G.M. (Works)
Syed Sajid Hussain	-	D.G.M. (Production)
Mr. Muhammad Imran Awan	-	D.G.M. (Production)
Mr. Shahid Hussain	-	D.G.M. (Purchase)
Mr. Saadat Ali	-	D.G.M. (QA/R&D)
Mr. Abdul Qadir Jilani	-	D.G.M. (Production)

BANKERS

National Bank of Pakistan
Faysal Bank Limited
Standard Chartered Bank Limited
Habib Metropolitan Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

TAX CONSULTANTS

A. F. Ferguson & Co.
Chartered Accountants

LEGAL ADVISORS

Mohsin Tayebali & Co.
Advocates & Legal Consultants

REGISTERED OFFICE

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Fax: 99248286
E-mail: splcs@cyber.net.pk
Website: http://security-papers.com

SHARE REGISTRAR

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Karachi-74000.
Tel: 32427012, 32425467 & 32426597
Fax: 32426752 & 32428310

FACTORY

Jinnah Avenue, Malir Halt,
Karachi-75100
Telephone: 99248536-37
Fax: 99248616

Information on Board Committees

The following are the Board Committees, the number of meetings held by them during the year and terms of reference:

1. **Board Audit Committee (BAC)**

Four Meetings were held during the year.

The Board of Directors of the Company shall determine the terms of reference of the Audit Committee. The Audit Committee shall among other things, be responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders and shall consider any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Company in addition to audit of its financial statements. In the absence of strong grounds to proceed otherwise, the Board of Directors shall act in accordance with the recommendations of the Audit Committee in all these matters.

Other terms of reference of the Audit Committee are as follows:

a) Determination of appropriate measures to safeguard the Company's assets.

b) Review of preliminary announcements of results prior to publication.

c) Review of quarterly, half yearly and annual financial statements of the Company, prior to them approval by the Board of Directors focusing on:

- Major judgmental areas
- Significant adjustments resulting from the audit
- The going concern assumption
- Any changes in accounting policies and practices
- Compliance with applicable accounting standard
- Compliance with listing regulations and other statutory and regulatory requirements

d) Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary).

e) Review of management letter issued by external auditors and management's response thereto.

f) Ensuring coordination between the internal and external auditors of the Company.

g) Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company.

h) Consideration of major findings of Internal Investigations and management's response thereto.

i) Ascertaining that the Internal Control System including financial and operational controls, accounting system and reporting structure are adequate and effective.

j) Review of Company's statement on Internal Control system prior to endorsement by the Board of Directors.

k) Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body.

l) Determination of compliance with relevant statutory requirements.

m) Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof.

n) Consideration of any other issue or matter as may be assigned by the Board of Directors.

o) Review of third party related transactions.

2. Board Human Resource & Compensation Committee (BHRCC)

One meeting was held during the year.

The role of the Board Human Resource and Compensation Committee is to take a longer term view of the business that Security Papers Limited (SPL) is engaged in and to safeguard the rights of Company's shareholders and employees. Primary functions of the BHRCC are to ensure equitable and appropriate human resource policies relevant to:

- Management succession
- Employee development and resource methodologies
- Employee reward and performance management

The BHRCC consist of two non-executive Directors. The Chairperson of SPL will be the Chairperson of this Committee. The Head of Human Resource will act as the Committee's Secretary and provide relevant services.

The BHRCC will have authority to discuss any relevant matters with management and to request appropriate reports, explanations, accounts and/or activity modification.

The BHRCC Chairperson will respond to any queries relevant to the Committee's functions, at Board of Directors' meetings.

3. Board Investment Committee (BIC)

Three meetings were held during the year.

The function of the BIC is to assist the Board of Directors (BoD) in their responsibilities regarding investment of funds. BIC will also assist and report on any other investment related matter(s) assigned to it by the BoD.

BIC has no executive powers relevant to recommendations made by it and therefore does not relieve the BoD of its responsibilities regarding such matters.

- BIC may recommend the appointment of an Investment Advisor of the Company to BoD.

- BIC may recommend investment policy of the company to the BoD for approval.

- BIC may authorize Chairperson & Managing Director to take investment decisions as per investment policy from time to time. However, the committee will ratify such investments in the succeeding meeting.

- For executing its duties BIC will have authority to discuss with management, any matter(s) relevant to exploring better investment opportunities.

- BIC is authorized by the Board to explore better investment proposals and other professional advice that may be necessary for the BIC to properly carry out responsibilities.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Forty-forth Annual General Meeting of Security Papers Limited will be held on Thursday, the August 27, 2009 at 10:00 AM at The Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, 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 June 30, 2009 together with the Reports of the Auditors and the Directors.

2. To declare final cash dividend at the rate of Rs 5/- per share i.e. 50% for the year ended June 30, 2009 as recommended by the Board of Directors.

3. To appoint Auditors for the year 2009-10 and to fix their remuneration.

B. SPECIAL BUSINESS

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

   "RESOLVED that the aggregate remuneration to be paid to non-executive Directors for attending meetings of the Board of Directors and committees of Directors; shall not exceed Rs 2.22 million in a financial year."

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984, REGARDING THE SPECIAL BUSINESS:

The existing annual limit of aggregate remuneration to be paid to non-executive Directors for attending the meetings of the Board of Directors and the committees of Directors was fixed in 2005 at Rs 510,000/-. This limit has outlived and does not adequately compensate the level of commitment required. The proposed resolution seeks to update the limit in the case of non-executive Directors by revising the annual aggregate limit. The Directors are interested in the Business to the extent of increase in the meeting fee."

By Order of the Board

Karachi,
July 30, 2009

(Muhammad Abdul Aleem)
Company Secretary

NOTES

1. The Share Transfer Books of the Company will remain closed from August 19 to August 27, 2009 (both days inclusive). Transfers received in order at the office of our Shares Registrar, M/s. FAMCO Associates (Pvt.) Limited (formerly Ferguson Associates (Pvt.) Ltd.), 4th Floor, State Life Building No.2-A, Wallace Road, Off: I. I. Chundrigar Road, Karachi-74000 by the close of business on August 18, 2009 will be considered in time to determine the above mentioned entitlement and to attend and vote at the Meeting.

2. 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 undermentioned guidelines as laid down in Circular No.1 dated January 26, 2000 issued by the Securities & 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) alongwith proxy form to the Company.

3. Members are requested to provide by mail or fax their National Tax No. (NTN) and CNIC or passport No. if foreigner (unless it has been provided earlier) to enable the Company comply with relevant laws.

4. Members are requested to notify any change in their addresses immediately to our Shares Registrar, M/s. FAMCO Associates (Pvt.) Limited (formerly Ferguson Associates (Pvt.) Ltd.), 4th Floor, State Life Building No.2-A, Wallace Road, Off: I. I. Chundrigar Road, Karachi-74000.

Appointment of FAMCO Associates (Pvt.) Limited As Registrars for Security Papers Limited

NOTICE*

APPOINTMENT OF FAMCO ASSOCIATES (PVT.) LIMITED AS REGISTRARS FOR SECURITY PAPERS LIMITED

Effective September 1, 2008 FAMCO Associates (Pvt.) Limited (formerly Ferguson Associates (Pvt.) Limited) have been appointed as Registrars of the Company. Their address and timings are as follows:

ADDRESS

4th Floor, State Life Building 2-A,
Wallace Road, Off : I.I. Chundrigar Road,
Karachi - 74000.
Tel: 32427012, 32425467, 32426597 and 32420755
Fax: 32426752 and 32428310

PUBLIC DEALING TIMINGS

Monday to Friday	:	9:00 am to 12:00 noon AND 2:00 pm to 3:00 pm
Lunch Break	:	1:00 pm to 2:00 pm. (except Friday 12:30 pm to 2:00 pm)
Saturday & Sunday	:	Closed

Shareholders are requested to contact them for all matters related to share registration services.

Muhammad Abdul Aleem
Company Secretary

Karachi
Dated: September 1, 2008

* Published in Daily Business Recorder, Dawn and Jang on September 2, 2008.

Green Environment Inside the Factory

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 44th ANNUAL GENERAL MEETING of the Company to be held on Thursday, August 27, 2009 and at any adjournment thereof.

Signed this______________day of _____________ 2009.

Rs 5/- Revenue Stamp

Witnesses: 1.Signature ________________
Name: ____________________
Address:___________________
CNIC or Passport No.________
2. Signature ________________
Name: ____________________
Address:___________________
CNIC or Passport No.________

Signature___________________________

(Signature should agree with the specimen signature registered with the Company).

CNIC or Passport No.________________

IMPORTANT

1. This form of proxy, duly completed and singed, 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
ISO 9001:2008 &
ISO 14001:2004 Certified

REGISTERED OFFICE & SHARE DEPARTMENT
Jinnah Avenue, Malir Halt, Karachi-75100
Ph: (92)-021-99248285 Fax: (92)-021-99248286

FACTORY
Jinnah Avenue, Malir Halt, Karachi-75100
Ph: 99248536-37 Fax: 99248616

CORPORATE 2633026-7