ANNUAL REPORT 2012

ISO 9001 : 2008 &
ISO 14001 : 2004 Certified

Security Papers LIMITED

2012

Major Events

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

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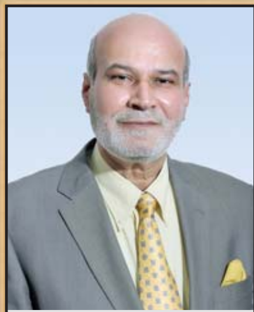
Board of Directors

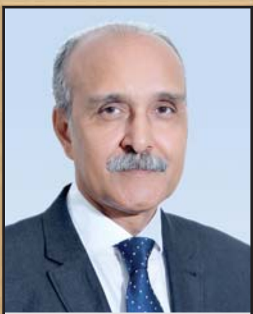
Board of Directors

Mr. Mustapha A. Chinoy
Chairman



Sheikh Mohammmad Aijaz Akhtar

Mrs. Naiyer Muzafar Husain
Managing Director / Chief Executive



Mr. Hasan Irfaan

Mr. Jamal Nasim

Mrs. Ayla Akin

Mr. Mazhar-ul-Hassan Shah

Ms. Yasmin Saud

Mr. Mohammad Reza Roshani Moghaddam

Corporate Awards

28th Corporate Excellence Award

Best Corporate Report Award 2010

Best Sustainability Report Award 2010

Board Meeting in Progress

Chairman's Review

It is indeed a matter of privilege for me to assume the role of the Chairman of the Board of Security Papers Limited. On behalf of the Board and shareholders I would like to take this opportunity to thank my predecessor Mrs. Naiyer Muzafar Husain for her invaluable contribution towards the growth of the Company. Looking ahead, I hope to play my role in taking the Company forward to strategic aims and objectives.

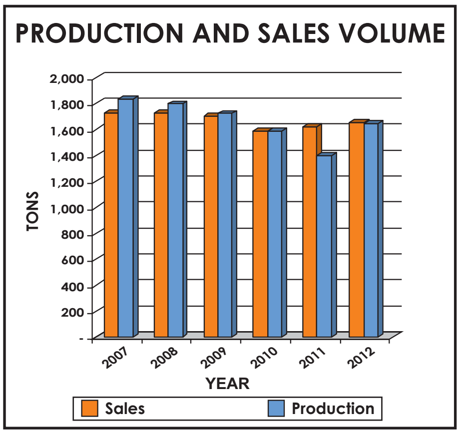
Operational Performance

Strategically the Company remained on course in realizing our vision of providing highest quality banknote and security paper to our customers. The Company has performed well on the operational front as we continue to build on our consistent and well-executed strategy. The Company entered 2012 with innate confidence that the financial outcome of business process re-engineering carried out over the past years has indeed established a platform for sustained profitability. The results of operations have been steady despite the challenges faced during the current year that witnessed fluctuations in the prices of the cotton comber which is a major constituent of the banknote paper. The operational results recorded for the year under review demonstrate performance consolidation. I am delighted that the Board of Directors of your Company has recommended the payment of 60% cash dividend for the year ended 30 June, 2012.

Production

The management of the Company remained committed to produce and deliver high quality banknote and security paper to our customers by optimizing production, operational efficiencies, risk management and reinforced cost control measures.

The Company produced 1,661 tons banknote and other security paper as against 1,402 tons during the corresponding period showing an increase of 259 tons. The cost of production has been kept at optimum level through effective utilization of resources and by controlling production wastages and maximizing output to achieve efficiency objectives. Your management instituted additional procedures to effectively control production processes and corrective actions were taken and preventive measures planned.



Sales

The sales value during the year under review increased by Rs 268 million showing an improvement of 15% over the last year. During the year under review the Company has successfully negotiated sales price increase with its major customer Pakistan Security Printing Corporation (Pvt.) Limited. The increase in the top line has been contributed by banknote paper and other security paper which mainly consists of non judicial paper. The Company achieved a sales volume of 1,658 tons as against 1,622 tons during the corresponding period.

Product diversification

We have continued our efforts to expand the product base to achieve economy of scales and optimize the production capacity. During the year under review we have successfully produced traveller's cheque paper and have delivered it to the customer. We have also accelerated our efforts for the production and marketing of the passport paper and have successfully carried out its trial run.

Plant Upgrade

We are now living in a highly competitive and quality conscious world; therefore it has become essential to replace 40-50 years old machines. To this end, the Company started balancing, modernization and replacement (BMR) of plant and machinery to replace critical machines with modern, automatic version.

Chairman's Review

The following projects which have been commissioned during the previous year are successfully in operation:

- Up-gradation of Control System (PCS-7)
- Control/Monitoring of Quality Parameters
- Modification in Sheeter Machine
- Modification in Rewinder Machine
- Automatic Packaging Line
- On-line surface inspection system

The following projects have been completed during the year under review and are in operations:

- Repulping & Cleaning of Broke
- Automatic Embossing Machine
- Automatic E-type Welding
- Automatic Spot & Seam Welding

The BMR projects will maintain continuity of operations, improve quality parameters of paper, and keep ourselves technologically advanced.

Co-generation Power Plant

The Company installed a 2.8 mega watt co-generation power plant in 2009 which is working satisfactorily. The plant has helped in substantially reducing the production breakdown caused due to frequent power outages. The self power generation is relatively cheaper. Therefore, the Company is able to bring increased plant efficiency with reduced cost.

Business process re-engineering

The Company is pursuing business process re-engineering program and redesigning manufacturing processes to achieve improvement in current performance which have an impact on Company's bottom line.

During the year the Company has undertaken balancing modernization and replacement (BMR) of its production facility to upgrade various business processes by bringing in latest innovations and technological advancements. The aim of these efforts is to ensure continuity of operations, improve product quality parameters and achieve cost effectiveness.

Internal Audit

The 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 and resident value adding agent. Internal audit reviews are risk-based and impartial. The broad targets of these reviews are operational efficiency, safeguard of profitability and Company's interests, and establishment and observance of internal controls. Internal Audit's scope covers financial as well as operational aspects and is an effective tool to monitor compliance with management policies.

The function performs risk assessment and recommends improvements in internal control, through application of the 'Committee of Sponsoring Organizations of the Treadway Commission' (COSO) and Control Self Assessment (CSA) provisions.

Integrated Quality and Environmental Management System (IMS)

During the year under review, SPL has been re-certified by M/s. SGS Pakistan (Pvt.) Limited in respect of Integrated Quality and Environmental Management System of ISO 9001:2008 & ISO 14001:2004.

In order to maintain high quality levels, Company has adopted modern management techniques and training practices. For the monitoring of the effectiveness of the Integrated Quality and Environmental Management System of ISO 9001:2008 & ISO 14001:2004, regular internal and external

Chairman's Review

audits are being conducted. The external audits have been carried out by external agency of M/s. SGS Pakistan (Pvt.) Limited.

Quality Management System

The Company believes in maintaining highest standards of quality in the production of banknote and other security paper. Conformance to the quality parameters and desired specifications is an integral part of our Quality Management System. ISO certification on Quality Management System (QMS) clearly manifests our desire of manufacturing quality products. This also enables us to adopt international practices with respect to the QMS.


Certificate SG06/00813

The management system of

Security Papers Limited

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

has been assessed and certified as meeting the requirements of

ISO 9001:2008

For the following activities

Production of Bank Note and other Security Papers

This certificate is valid from 03 April 2012 until 02 April 2015 and remains valid subject to satisfactory surveillance audits. Re certification audit due before 02 March 2015. Issue 3. Certified since 03 April 2006

Authorised by

Environmental Management System

We have implemented Environmental Management System (EMS) through planning and collective efforts to ensure delivery of quality products with minimum adverse negative environmental impacts and compliance with National Environmental Quality Standard (NEQS).

The Company has a comprehensive Environmental Management System (EMS), which is certified and periodically audited by M/s. SGS Pakistan (Pvt.) Limited. We mitigate the environmental impact by effective implementation of ISO 14001:2004 to comply applicable laws and regulations.

The ISO certification on Environmental Management System (EMS) reassures safe environment for plant operations, workers and the community. We maintain cleanliness and green environment in and around the factory area with a view to control pollution.


Certificate SG06/00239

The management system of

Security Papers Limited

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

has been assessed and certified as meeting the requirements of

ISO 14001:2004

For the following activities

Production of Bank Note and other Security Papers

This certificate is valid from 26 April 2012 until 25 April 2015 and remains valid subject to satisfactory surveillance audits. Re certification audit due before 25 March 2015. Issue 3. Certified since 26 April 2006

Authorised by

Research & Development (R&D)

The Company continues its research and development activities to keep ahead of the field to attain efficiency and sustainability. It is a continuing process with a prime objective to improve product performance to provide competitive advantage and to obtain new knowledge, applicable to the Company's business needs. This eventually will result in new or improved products, processes, systems, or services that can increase the Company's sales and profits.

Occupational Health and Safety

The Company has made objective based efforts for reducing unsafe and unhealthy work practices/conditions. A review of hazards identification and risk assessment is regularly carried out. Incident/accident analysis and follow-up for corrective/preventive measures are taken to reduce accidents. Comprehensive trainings are provided to our employees in the area of Occupational Health and Safety Assessment Specifications (OHSAS). The Company has a Fire Fighting System equipped with all the facilities to cope with fire hazards. The Company recognizes the importance of a healthy workforce and accordingly arrangements are in place for their regular medical check-up.

Safety and Security

The Company has strategic nature of operations as its products are of highest national importance. Therefore, the security and safety of production facilities and human capital is of prime concern. In view of the security threats prevailing in the country, a Crises Management Cell is functional to monitor, identify and overcome any kind of subversive activities. Our security systems include CCTV System, Fire Alarm System, Access Control System, Security Lighting System, Road Blockers, Walk Through Gate and Under Vehicle Surveillance System to cater to the security requirements of the Company.

Corporate Social Responsibility (CSR)

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

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

Contribution to the national exchequer and the economy of the country

During the year under review the Company made contribution to the national exchequer by way of taxes, levies, sales tax etc. amounted to Rs 246.54 million as compared to Rs 247 million during the corresponding period. In addition, the Company has also made foreign exchange savings of US$ 15.62 million (approx.) through import substitution during the year as compared to US$ 15.20 million in the corresponding period.

Energy Conservation

The Company has a self co-generation power plant and is aware of the country's need for energy conservation to bridge the gap between energy supply and increasing demand. Areas having energy saving possibilities are identified and analyzed for initiating energy saving projects. Employees are encouraged to switch off lighting, computer systems, electronic equipments and air-conditioners when not in use. Also heat insulation is provided in steam line and tanks to avoid heat losses. All electrical equipments are properly maintained to save the energy.

Human Resource and Administration

The company believes that attracting and retaining high quality human resource is a great challenge for any organization. Human resource policies are designed to ensure best practices to attract, recruit, develop and retain highest quality of human capital. We make all endeavors to take good care of our human resource in order to grow, compete and stay profitable.

Chairman's Review

Training & Development

We believe learning is a continuous process, initiatives have been taken to identify the employees' training needs and arranged various training program within the organization and outside the organization. During the current financial year 2011-2012 training of 1,467 man-hours were availed for the development and improvement of soft and technical skills.

We encourage our employees to take professional memberships in business, professional and technical organizations and institutions, which enhances their functional ability and are directly related to employees' job.

Business Ethics and Anti-Corruption Measures

The Company has a comprehensive Code of Ethics and Business Practices which has been disseminated throughout the Company. The authorities and responsibilities are defined and appropriately delegated for transparent operation and a policy on detection and prevention of corruption is in place.

During the year we have introduced a 'Speak Up policy' to encourage our employees to speak up promptly, if they have any reason to suspect that there have been breach or potential breach of our ethics and core values or any other misconduct.

Credit Rating

JCR-VIS Credit Rating Company Limited (JCR-VIS) has reaffirmed the entity ratings of Security Papers Limited (SPL) at 'AAA/A-1+' (Triple A/A-One Plus). Outlook on the medium to long term rating is 'Stable'.

Corporate Governance Rating

It is a matter of great satisfaction that for the year under review the Corporate Governance Rating has been upgraded to "CGR 8++" denoting "high level of governance" by M/s. JCR-VIS Credit Rating Company Limited from previous rating of "CGR 8+".

Corporate governance rating is based on evaluation of key governance elements of the rated enterprise, which include Ownership Structure, Regulatory Compliance, Composition and Operations of the Board of Directors and Executive Management, Financial Transparency, Self-Regulation, and Stakeholder Relations. The rating is measured on a scale ranging from CGR-1 (lowest) to CGR-10 (highest).

Corporate Excellence Award

The Company holds 24th to 28th Awards (five times running) of the Management Association of Pakistan (MAP) for the Forestry & Paper Sector. The Corporate Excellence Awards are conferred by the MAP with an objective to recognize the listed companies which excel in corporate and management practices.

The 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 is considered the most prestigious achievement in the corporate sector. The quality of management practices of the companies in different areas like corporate governance, strategic planning, social responsibility, planning human resources, production management, research and development are appraised by the MAP.

Best Corporate Report Award

During the year Company has won the Best Corporate Report Award 2010.

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

Chairman's Review

The Annual Report - 2003 and 2006 to 2009 of the Company already won the Best Corporate Report Award.

Top Companies Award

The Company has the distinction of receiving Top Companies Award of the Karachi Stock Exchange (KSE) for the year 2000 to 2007 and 2009 to 2010.

The award is conferred by KSE on the basis of criteria which includes Distribution to Shareholders, Return on Equity, Turnover of Shares, Number of Shareholders, Corporate Social Responsibility (CSR) and Good Corporate Governance/ Compliance with Code of Corporate Governance.

Best Sustainability Report Award

During the year the Sustainability Report 2010 of SPL won the "Certificate of Appreciation". The Award has been introduced by the Joint Committee of the Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost and Management Accountants of Pakistan (ICMAP).

Environmental Reporting Award

During the year the Company's Environmental Report 2011 has been short listed in the top ten companies out of 78 companies by Association of Chartered Certified Accountants-World Wildlife Fund (ACCA-WWF) Pakistan Environmental Reporting Award (PERA) 2011.

In the year 2010, the Company had been awarded "commendation for commitment to environmental reporting 2010".

Fire & Safety Award

The Company has won the 1st Fire and Safety Award - 2011. The Award is jointly organized by National Forum for Environment & Health (NFEH) and Fire Protection Association of Pakistan (FPAP)

Risks and Challenges

The revenue of the Company is largely dependent on increase in selling prices obtained from the major customer i.e. Pakistan Security Printing Corporation (Pvt.) Limited. The manufacturing of banknote and other security paper will continue to be competitive on account of inflationary pressures resulting from rising fuel and commodities prices, economic recession, and rupee depreciation which continue to be a major challenge for the Company. However, relief on account of decline in cotton comber prices will partially absorb cost escalation. The increase in cost of production on multiple accounts may squeeze margins and affect the Company's profitability.

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

Acknowledgement

I take this opportunity to acknowledge the contribution and commitments made by all management, staff members and workers in achieving the Company's objectives. I am also thankful to the board of directors, shareholders, customers, bankers and other stakeholders for their support that will undoubtedly bring continual improvement and success for the Company.

MUSTAPHA A. CHINOY
Chairman

Karachi
Dated: July 31, 2012

Directors' Report

Sitting from left to right:
Ms. Yasmin Saud, Mrs. Naiyer Muzafar Husain,
Mr. Jamal Nasim and Sheikh Mohammad Aijaz Akhtar

Standing from left to right:
Mr. Hasan Irfaan, Mr. Mohammad Reza Roshani Moghaddam,
Mr. Mazhar-ul-Hassan Shah, Mr. Mustapha A. Chinoy and Mrs. Ayla Akin

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, 2012.

Financial Results

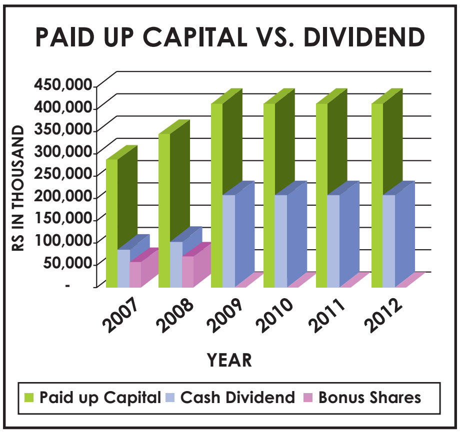
The operating results of the Company for the year ended June 30, 2012 are summarized as follows:

	2012	2011
	(Rupees in '000)	
Profit before taxation	**510,222**	421,528
Taxation		
Current - for the year	**12,127**	25,347
Current - for prior Year	**(1,525)**	(405)
	10,602	24,942
Deferred	**121,519**	81,510
	132,121	106,452
Profit after taxation	**378,101**	315,076

Subsequent Appropriations

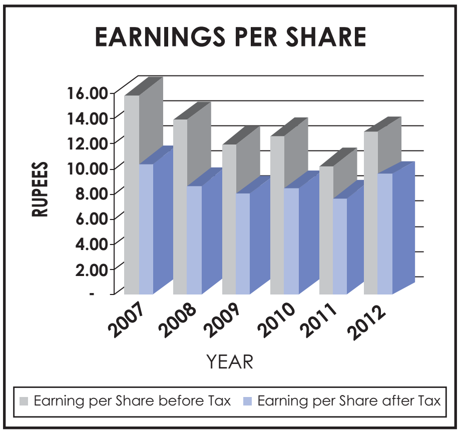
The Directors have recommended (i) final cash dividend of Rs 6/- per share, i. e. 60% (2011: Rs 5/- per share, i.e. 50%) and appropriation of Rs 131.20 million (2011 Rs 109 million) to revenue reserves.

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 12.4 and Rs 9.19 (2011: Rs 10.24 and Rs 7.66) respectively.



Operating Results

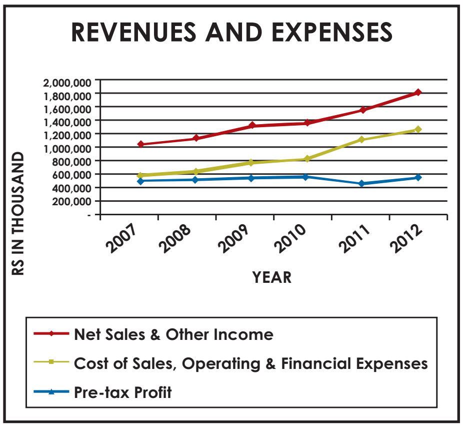
During the year under review, the net sales revenue is higher by Rs 267.89 million as compared to the previous year mainly due to higher sales volume and increase in product pricing.

The company earned a gross profit of Rs 513.86 million during the year under review as compared to Rs 344.00 million in the previous year. The increase in gross profit during the current year as compared to the corresponding year is mainly attributable to higher sales volume, increase in selling prices and reinforced cost effective measures.

Directors' Report

Other operating income decreased marginally by Rs 5.05 million during the current year as compared to the previous year.

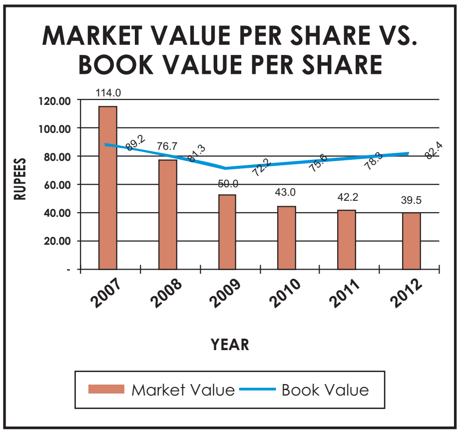
The profit after tax of Rs 378.10 million has been earned for the year as compared to Rs 315.07 million during the previous year. The increase in Company's profitability during the year under review is mainly due to higher sales volume, product pricing, reduced production losses, higher absorption of production overheads and availability of tax credit on Balancing, Modernization, and Replacement (BMR) projects.



Market and book value per share

The book value per share stood at Rs 82.44 as against Rs 78.25 in the previous year. The before and after tax return on equity worked out to be 15.04% and 11.15% compared to 13.09% and 9.78% in the corresponding period respectively.

The average market price during the year remained at Rs 39.52 (2011: Rs 42.20) per share. The market price as of June 30, 2012 was Rs 44 (2011: Rs 40.50).



Cash Flow Management

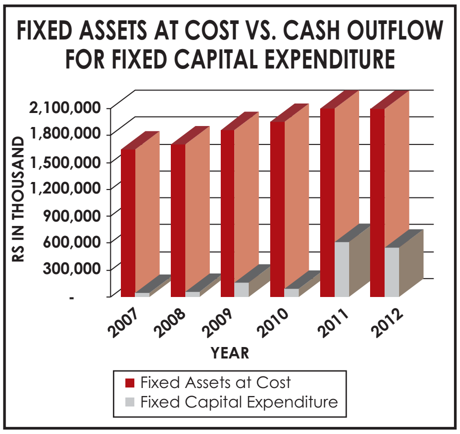
During the year under review an amount of Rs 263.60 million was generated from the operating activities of the Company and Rs 227.62 million obtained through external financing. The Company made an outlay of Rs 549.15 million (2011: Rs 586.22 million) on account of capital expenditure and paid Rs 187.91 million as dividend to the shareholders.

Long term debt equity and current ratios

The long term debt-equity and the current ratios of the Company as at June 30, 2012 works out to 0.14:1 and 3.84:1 (2011:1:10 and 4.92:1) 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 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.

As suggested by the Board Audit Committee, the Board recommends the appointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants, as auditors of the Company for the year 2012-13.

Directors' Report

Board and Committee Changes

In line with the Code of Corporate Governance, the following changes have taken place during the year:

The common position of Chairperson and Chief Executive has been separated whereby Mr. Mustapha A. Chinoy, an independent Non-executive Director has been appointed as Chairman of the Board of Directors while Mrs. Naiyer Muzafar Husain retained the position of Chief Executive of the Company.

Mr. Jamal Nasim, an independent Non-executive Director has been appointed as member of the Board Audit Committee (BAC) in place of Mr. Ansar Hussain. Subsequently, he has been appointed as Chairman BAC in place of Mr. Mustapha A. Chinoy, Chairman of the Board of Directors.

Mr. Mustapha A. Chinoy, an independent Non-executive Director has been appointed as Chairman of the Board Human Resource and Remuneration Committee (HR&RC) in place of Mrs. Naiyer Muzafar Husain, Chief Executive.

Besides, Mr. Jamal Nasim, an independent Non-executive Director was inducted as member of the HR&RC.

The following other changes have also taken place since the previous year's Annual Report:

Ms. Yasmin Saud has joined the Board as an independent Non-executive Director being nominee of State Life Insurance Corporation of Pakistan in place of Mr. Ansar Hussain.

Mr. Mazhar-ul-Hassan Shah, a Non-executive Director has been appointed as member of Board Investment Committee in place of Mr. Ansar Hussain.

The Board welcomes the new member and appreciates the contribution of the outgoing member while on the Board of Directors and the Committee of Directors of the Company.

Compliance with the Code of Corporate Governance

The "Statement of Compliance with the Code of Corporate Governance" (CCG) is annexed (page 49).

Statement on Corporate and Financial Reporting Framework

a. The financial statements, prepared by the management of the Company, present its state of affairs fairly, the results of its operations, cash flows and changes in equity.
b. Proper books of account of the Company have been maintained.
c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
d. The International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
e. The system of internal control is sound in design and has been effectively implemented and monitored: and
f. There are no significant doubts upon the Company's ability to continue as a going concern.
g. Key operating and financial data of last six years in summarized form is annexed (page 34).
h. Outstanding taxes and levies have been adequately disclosed in the annexed audited financial statements.
i. The following is the value of investments based on respective latest audited accounts: (i) Provident Fund Rs 238.22 million (ii) Gratuity Fund Rs 228.115 million.
j. The detail of number of Board and Committee meetings held during the year and attendance by each Director is as follows:

Directors' Report

Name of Directors	Board		Audit Committee		Investment Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Mrs. Naiyer Muzafar Husain	6	6	0	0	2	2
Mr. Mustapha A. Chinoy	6	6	5	5	2	2
Sheikh Mohammad Aijaz Akhtar	6	6	0	0	0	0
Mr. Hasan Irfaan	6	6	5	5	0	0
Mrs. Ayla Akin - (Turkey)	6	0	0	0	0	0
Mr. Ansar Hussain	4	4	3	3	1	1
Mr. Jamal Nasim	6	6	1	1	0	0
Mr. Mazhar-ul-Hassan Shah	6	6	0	0	1	1
Mr. Mohammad Reza Roshani Moghaddam - (Iran)	6	4	0	0	0	0
Ms. Yasmin Saud	2	2	0	0	0	0

During the year under review no formal Human Resource and Remuneration Committee (HR&RC) meeting was held. However, matters of urgent nature were directly discussed and approved at the Board meeting on the recommendation of members of HR&RC.

k. During the year Mrs. Naiyer Muzafar Husain, Chief Executive and Ms. Yasmin Saud, Director have completed Corporate Governance Leadership Skill (CGLS) program. In addition Mr. Mustapha A. Chinoy, Chairman meets the criteria of exemption under clause (xi) of CCG and is accordingly exempted from directors' training program.

l. The pattern of shareholding is annexed (page 90).

m. No trading in Company's shares was carried out by its Directors, CEO, CFO, Company Secretary, Head of Internal Audit, other Executives and their spouse(s) and minor children.

The Economy

Real GDP growth for 2011-12 has been estimated at 3.7 percent as compared to 3.0 percent in the previous fiscal year 2011. Manufacturing Sector registered growth at 3.56 percent compared to the growth of 3.06 percent last year. Per capita real income grew at 2.33 percent in 2011-12 as compared to 1.33 percent growth in last year. In dollar term it increased from $ 1258 to $ 1372 in 2011-12.

The agriculture growth this year stood at 3.1 percent as compared to 2.4 percent during 2010-11. Cotton production has increased to 13,595 thousand bales in 2011-12 from 11,460 thousand bales in 2010-11 showing an increase of 18.6 percent.

The inflation rate as measured by the changes in Consumer Price Index (CPI) stood at 10.8 percent during (July-April) during current fiscal year 2011-12, against 13.8 percent in the comparable period of last year.

Future Prospects and Outlook

The profitability of the Company during the financial year 2012-13 will largely depend on the availability of raw materials at reasonable prices, positive business environment and growth oriented policies of the Government. The inflationary pressures are expected to remain dominant. However, the Company on its part is geared up to face the future with a positive outlook through plant upgrade, product diversification, improving efficiencies, cost effectiveness, cost control and an appropriate price increase for its products.

Every effort will be made to convert risk and challenges into opportunities. All energies are focused on directing resources towards sustainable growth and development of the business.

The Board of Directors endorse the contents of the Chairman's Review annexed (page 8).

On behalf of the Board of Directors

MRS. NAIYER MUZAFAR HUSAIN
Chief Executive

Karachi
Dated: July 31, 2012

Profile of the Members of the Board of Directors

MR. MUSTAPHA A. CHINOY
Independent Non-Executive Director

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

Being Non-Executive Director, he is also: Chairman of (i) Board Human Resource & Compensation Committee, Member of (ii) Board Audit 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. In the past he has served on the Board of Union Bank Limited prior to its sale to Standard Chartered Bank.

Other Directorship:

(i) International Industries Limited
(ii) Pakistan Cables Limited
(iii) International Steels limited
(iv) Intermark (Pvt.) Limited
(v) Travel Solutions (Pvt.) Limited
(vi) Global E Com Services (Pvt.) Limited

MRS. NAIYER MUZAFAR HUSAIN
Managing Director / 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 as Managing Director in 2008. She is also Chairperson of Board Investment Committee and member of Board Human Resource & Compensation Committee.

She is a 'Certified Director'.

She holds Masters Degree in Pakistan Studies.

Mrs. Naiyer has over 33 year 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 Directorship: Chairperson & Managing Director: (i) Pakistan Security Printing Corporation (Pvt.) Limited and (ii) SICPA Inks Pakistan (Pvt.) Limited.

Profile of the Members of the Board of Directors

SHEIKH MOHAMMAD AIJAZ AKHTAR
Independent 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.

Being a Non-Executive Director, he is also Member of Board Human Resource & Compensation Committee.

He is a Graduate (B.Sc.).

Sheikh Aijaz has about 39 year of experience with (i) family business (ii) Trade & Industry (iii) Steel Merchants and (iv) Gulf Builders & Developers (Pvt.) Limited.

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 Pakistan Security Printing Corporation (Pvt.) Limited (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 26 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 about 10 years, he has been working in PSPC in the capacity of Director Operations and Plant Manager, managing the factory operations of the printing of complete range of high value and security documents for the country.

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

Profile of the Members of the Board of Directors

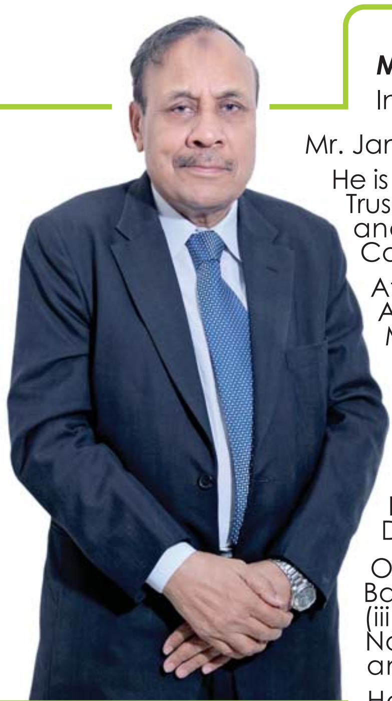
MRS. AYLA AKIN
Independent Non-Executive Director

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 a Graduate from Ankara University.

Mrs. Akin has over 26 year experience in government service.

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



MR. JAMAL NASIM
Independent Non-Executive Director

Mr. Jamal Nasim was appointed to the Board of Directors in 2010.

He is a Non-Executive Director being nominee of National Investment Trust Limited (NIT). He is also Chairman of (i) Board Audit Committee and member of (ii) Board Human Resource & Compensation Committee.

After having Bachelor of Commerce, he has done MBA from The Asian Institute of Management, Manila, Philippine. Mr. Nasim has about 32 years professional experience in Banking, Finance and Audit fields.

He had been an ardent debater with a passion for poetry. He has taken part in declamation contests and won numerous prizes, gold medal and certificate of honour. He is fond of socializing and reading.

Presently he is Chairman / Managing Director of Industrial Development Bank of Pakistan (IDBP).

Other Directorship: Managing Director: (i) Industrial Development Bank of Pakistan (IDBP) Directors: (ii) Ellcot Spinning Mills Limited, (iii) Fazal Cloth Mills Limited, (iv) Mitchell's Fruit Farms Limited, (v) National Investment Trust Limited, (vi) National Bank Modaraba and (vii) Central Depository Company of Pakistan Limited.

He is also on the Board of Governors of Lahore University of Management Sciences (LUMS) and Lahore School of Economics (LSE).

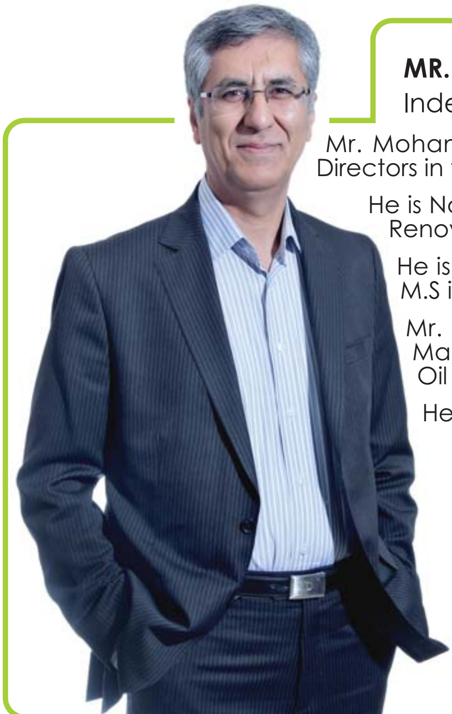
Profile of the Members of the Board of Directors

MR. MAZHAR-UL-HASSAN SHAH
Non-Executive Director

Mr. Mazhar-ul-Hassan Shah was appointed to the Board of Directors in 2011 as Non-Executive Director, being nominee of Pakistan Security Printing Corporation (Pvt.) Limited. He is also member of Board Investment Committee.

He is M.Sc. (Pakistan Studies). He has done Management course on 'Public Policy' from National School of Public Policy (NSPP).

Mr Mazhar has about 11 year professional experience in the public sector gaining in depth knowledge of Government working systems and procedures. He is presently working with Ministry of Finance, Government of Pakistan.
Reading books and hiking are his hobbies.



MR. MOHAMMAD REZA ROSHANI MOGHADDAM
Independent Non-Executive Director

Mr. Mohammad Reza Roshani Moghaddam is appointed to the Board of Directors in the year 2011.

He is Non-Executive Director, being nominee of Industrial Development & Renovation Organization of Iran (IDRO).

He is B.S in Mechanical Engineering from Sharif Industrial University and M.S in MBA from Industrial Management Institute.

Mr. Roshani has more than 26 years rich experience in the fields of Machinery Design, Industrial Projects Management, Automotive and Oil & Gas industry, etc.

He has worked in the senior management positions with:
- (i) President of Tyco (E.P.C. Contractor)
- (ii) Vice Chairman of J.T.s Co. (E.P.C. Contractor)
- (iii) Chairman of Soyab Sanat Co. (Manufacturer of DC Motors)
- (iv) Chairman of Sard Saz Khodro Co. (Manufacturer of A/C Systems)
- (v) Chairman of Mavad Karan Co. (Gas Turbine Blade Manufacturer)
- (vi) Chairman & President of Mega Motor Co., (Automotive Power Train Manufacturer)
- (vii) Vice Chairman of Renult Pars (Joint venture between IDRO and Renult)
- (viii) Member Board and Vice President of Saipa Group (Automotive Manufacturer)
- (ix) Vice Chairman of Pars Khodro (Automotive Manufacturer)

Other Directorship: Presently he is (i) Deputy of IDRO, (ii) Chairman of Saipa Kashan, (Automotive Manufacturer), (iii) Vice Chairman of AIRC Co., (R&D for Automotive Industries) and (iv) Chairman of RTI {Metro engineering, procurement, construction, installation (EPC) Contractor} and Vice Chairman of IPMI (E.P.C Contractor in oil and gas fields).

Mr. Roshani is married and has three children.

He is widely traveled.

Profile of the Members of the Board of Directors

MS. YASMIN SAUD
Independent Non-Executive Director

Ms. Yasmin Saud was appointed to the Board in 2012.

She is Non-Executive Director being nominee of State Life Insurance Corporation of Pakistan (SLIC).

She is a 'Certified Director'.

She has done: (i) Masters in English Literature from University of Peshawar and (ii) Executive Development Training at Kennedy School of Harvard University, USA.

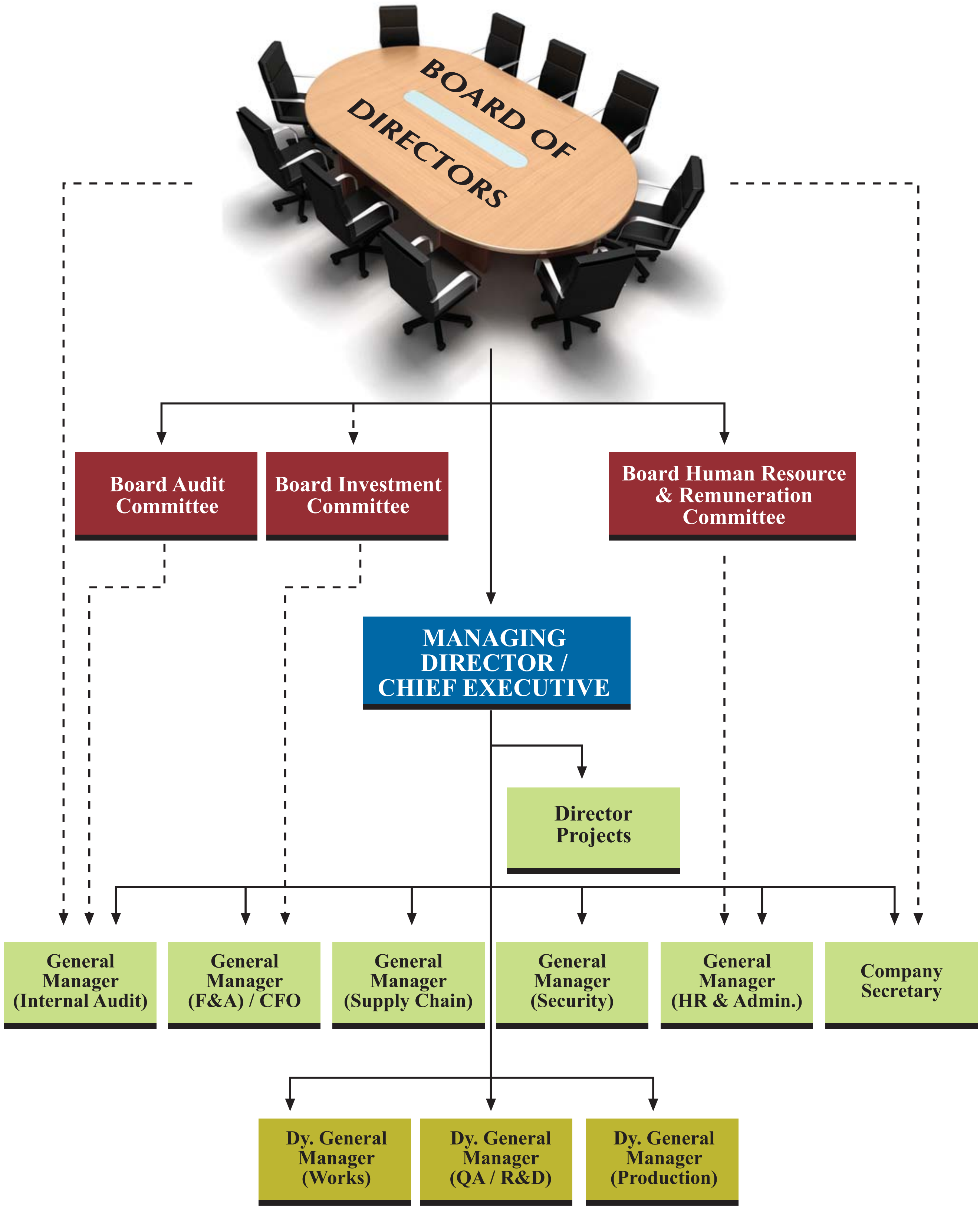
She joined civil services (Inland Revenue) in 1979 and has 32 years of extensive professional experience in taxation, finance, human resource, administration and insurance. She has served as Chief Commissioner Income Tax at Large Tax Payers Unit Karachi and Executive Director Finance, Admin and Human Resource, Pakistan Reinsurance Company Limited.

Presently she is working with State Life Insurance Corporation of Pakistan as Executive Director (Finance).

Her special interest is teaching at prestigious institutions like, Institute of Business Administration (IBA), SZABIST and NIPA.

Other Directorship: (i) M/s. Alpha Insurance Company and (ii) M/s. Pakistan Reinsurance Company Limited.

Organization Chart



Criteria to Evaluate Board's Own Performance

Following areas of responsibility forms the basis of criteria to evaluate Board's own 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.

Shareholders' Information

Annual General Meeting

The Annual General Meeting of Security Papers Limited will be held on Thursday, the August 30, 2012 at 11:00 AM at The Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi.

Eligible shareholders are encouraged to participate and vote.

Registered Office

Jinnah Avenue, Malir Halt,
Karachi-75100
Telephone: 99248285
Fax: 99248286
E-mail: splcs@cyber.net.pk
Website: http://security-papers.com

Share Registrar

FAMCO Associates (Pvt.) Limited
1st Floor, State Life Building 1-A,
I. I. Chundrigar Road,
Karachi-74000.
Tel: 32427012, 32425467 & 32426597
Fax: 32426752 & 32428310
Timings: 8:30 AM to 1:00 PM & 2:00 PM to 3:30 PM

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Investor Relations Contact

Mr. Muhammad Abdul Aleem
Company Secretary
Telephone: 99248285
Fax: 99248286
E-mail: splcs@cyber.net.pk and comsec@security-papers.com

Web Reference

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

Stock Exchange Listing

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

Karachi Stock Exchange Share Prices 2011-12			
	Price in Rupees		
Period	High	Low	Average
1st Quarter - September 30, 2011	34.96	32.60	33.78
2nd Quarter - December 31, 2011	43.55	31.20	37.38
3rd Quarter - March 31, 2012	42.00	35.00	41.50
Annual - June 30, 2012	47.85	31.20	39.52

Shareholders' Information

Reporting

Period	Financial Results
1st Quarter - September 30, 2011	October 25, 2011
2nd Quarter - December 31, 2011	January 26, 2012
3rd Quarter - March 31, 2012	April 24, 2012
Annual - June 30, 2012	July 31, 2012

Dividend

The Board of Directors have recommended in their meeting held on July 31, 2012 payment of final cash dividend at the rate of Rs 6/- per share i.e. 60% for the year ended June 30, 2012.

Dividend Mandate [Optional]

Transferee of shares may exercise option for dividend mandate by using the revised "Form of Transfer Deed". The revised form of transfer deed will enable the transferees to receive cash dividend directly in their bank accounts, if such transferee provides particulars of its bank account which he/she/it desires to be used for credit of cash dividend. The existing shareholders have the option to seek the dividend mandate by using the standardized "Dividend Mandate Form" if they so desires. Shareholders maintaining shareholdings under Central Depository System (CDS), are advised to please submit their Bank mandate information directly to the relevant participant / CDC Investor Account Service.

Requirement of CNIC Number / National Tax Number (NTN) or Certificate / Passport Number

Members are requested to provide a copy of the following valid document(s), as may be relevant, by post, fax or e-mail (if not yet submitted) to enable the Company comply with relevant laws:

(i) CNIC [in case of local individual(s)]
(ii) NTN Certificate [in case of corporate entities] or
(iii) Passport Number [in case of foreigner(s)]

Delivery of the Unclaimed/Undelivered Shares

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

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.

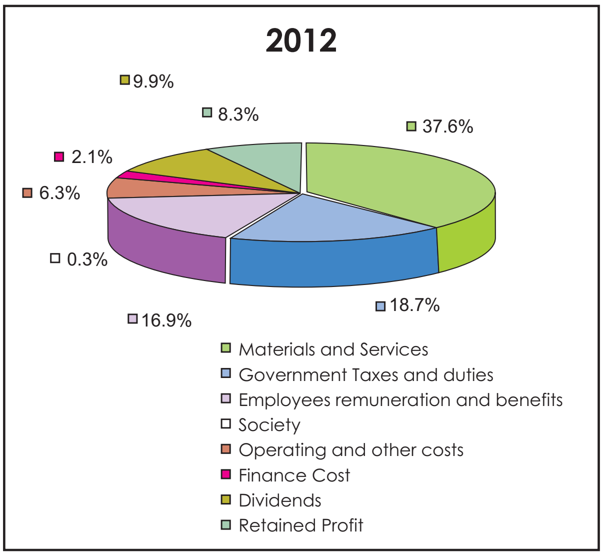
f. **Ensuring Efficient Resource Management** by managing human, financial, technical and infra-structural resources so as to support the above strategic goals and to ensure highest possible value addition to stakeholders.

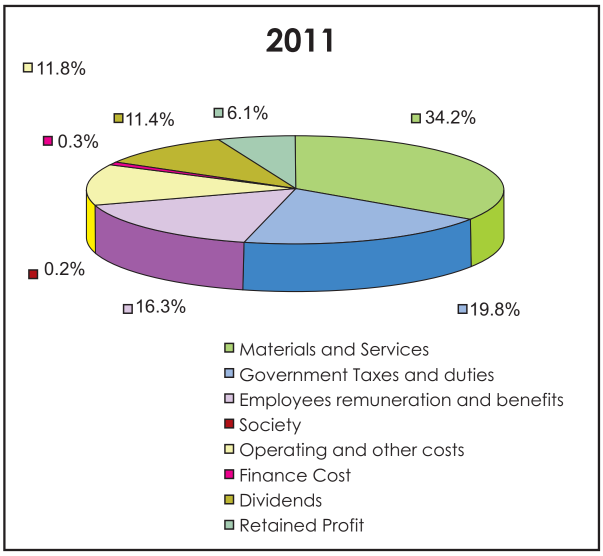
Code of ethics and business practices

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

	2012	%	2011	%
	(Rupees in '000)			
VALUE ADDITION				
Net Sales including Taxes	**1,823,688**	**87.8%**	1,544,289	85.7%
Other Operating Income	**252,575**	**12.2%**	257,621	14.3%
	2,076,263	**100%**	**1,801,910**	**100%**
VALUE DISTRIBUTION				
Materials and Services	**780,172**	**37.6%**	615,380	34.2%
Government Taxes and duties	**388,782**	**18.7%**	355,987	19.8%
Employees remuneration and benefits	**350,317**	**16.9%**	293,298	16.3%
Society	**5,854**	**0.3%**	4,103	0.2%
Operating and other costs	**129,827**	**6.3%**	211,801	11.8%
Finance Cost	**43,210**	**2.1%**	6,265	0.3%
Dividends	**205,750**	**9.9%**	205,750	11.4%
Retained Profit	**172,351**	**8.3%**	109,326	6.1%
	2,076,263	**100%**	**1,801,910**	**100%**





Security Papers LIMITED

Key Operating and Financial Data

(Rs In Thousand)

PARTICULARS	2012	2011	2010	2009	2008	2007
Financial Position						
Fixed Assets - Net	2,111,951	1,713,993	1,244,364	1,264,704	1,205,059	1,244,199
Investments	577,710	-	-	-	-	24,711
Other Assets	24,188	17,436	17,258	16,757	16,296	15,490
	2,713,849	1,731,429	1,261,622	1,281,461	1,221,355	1,284,400
Current Assets	2,042,810	2,564,953	2,372,344	2,166,062	1,973,044	1,543,842
Current Liabilities	532,331	520,822	367,021	337,016	310,448	217,863
Working Capital	1,510,479	2,044,131	2,005,323	1,829,046	1,662,596	1,325,979
	4,224,328	3,775,560	3,266,945	3,110,507	2,883,951	2,610,379
Less : Long Term & Deferred Liabilities	831,966	555,549	156,260	140,616	96,478	62,601
Shareholders' Equity	**3,392,362**	**3,220,011**	**3,110,685**	**2,969,891**	**2,787,473**	**2,547,778**
Paid-up-Capital	411,499	411,499	411,499	411,499	342,916	285,763
Reserves	2,980,863	2,808,512	2,699,186	2,558,392	2,444,557	2,262,015
Captial Employed	**3,392,362**	**3,220,011**	**3,110,685**	**2,969,891**	**2,787,473**	**2,547,778**
Trading Results						
Sales - Net of taxes	1,570,912	1,303,019	1,152,511	1,129,070	1,024,221	953,914
Gross Profit	513,856	344,000	458,179	460,262	466,500	455,166
Profit after Admn. & General Expenses	370,675	215,188	353,466	384,834	404,803	402,948
Other Income/Finance & Other Costs	139,547	206,340	166,791	108,377	72,649	51,215
Profit before Tax	510,222	421,528	520,257	493,211	477,452	454,163
Taxation	132,121	106,452	172,166	161,056	180,031	156,940
Profit after Tax	378,101	315,076	348,091	332,155	297,421	297,223
Investors Information						
Dividend *						
Cash - Value	205,750	205,750	205,750	205,750	102,875	85,729
Cash - %	0.00%	50.00%	50.00%	50.00%	30.00%	30.00%
Bonus - Value	-	-	-	-	68,583	57,153
Bonus - %	-	-	-	-	20.00%	20.00%
Profit retained in Business - Value	172,351	109,326	142,341	126,405	125,963	154,341
Retention - %	45.58%	34.70%	40.89%	38.06%	42.35%	51.93%
Gross Profit to Sales %	32.71%	26.40%	39.75%	40.76%	45.55%	47.72%
EBITDA (Rs '000)	705,114	549,987	636,622	598,791	579,244	552,803
EBITDA Margin to Sales %	44.89%	42.21%	55.24%	53.03%	56.55%	57.95%
Profit before Tax to Sales %	32.48%	32.35%	45.14%	43.68%	46.62%	47.61%
Profit after Tax to Sales %	24.07%	24.18%	30.20%	29.42%	29.04%	31.16%
Return on Equity - before tax %	15.04%	13.09%	16.72%	16.61%	17.13%	17.83%
Return on Equity - after tax %	11.15%	9.78%	11.19%	11.18%	10.67%	11.67%
Return on Capital Employed %	8.95%	8.35%	10.65%	10.68%	10.31%	11.39%
Return on Assets - before tax %	10.73%	9.81%	14.32%	14.31%	14.95%	16.06%
Return on Assets - after tax %	7.95%	7.33%	9.58%	9.63%	9.31%	10.51%
Total Assets Turnover %	33.03%	30.33%	31.71%	32.75%	32.06%	33.73%
Stock Turnover - No. of Days	131	136	163	146	164	146
Debtor turnover Ratio - No. of Days	67	63	67	77	51	29
Creditor turnover Ratio - No. of Days	31	26	35	42	27	14
Operating Cycle	167	173	195	181	188	160
Current Ratio	3.84:1	4.92:1	6.46:1	6.43:1	6.36:1	7.09:1
Quick Ratio	3.08:1	4.24:1	5.49:1	5.65:1	5.47:1	6.04:1
Cash to Current Liabilities	0.03:1	0.07:1	0.14:1	0.35:1	1.15:1	1.85:1
Cash flow from operations to Sales	0.17:1	0.18:1	0.25:1	0.26:1	0.13:1	0.40:1
Long Term Debt to Equity	0.14:1	0.10:1	0.00:1	0.00:1	0.00:1	0.00:1
Long Term Debt to Asset	0.10:1	0.08:1	0.00:1	0.00:1	0.00:1	0.00:1
Debt Equity Ratio	0.25:1	0.17:1	0.05:1	0.05:1	0.03:1	0.02:1
Interest cover ratio	16:1	86:1	340:1	335:1	1,099:1	4,387:1
No. of Shares in issue - (Rs '000)	41,150	41,150	41,150	41,150	34,292	28,576
Bonus Shares Issued - No.	-	-	-	-	6,858	5,715
Cash Dividend per share (Rs)	-	5.00	5.00	5.00	3.00	3.00
Earning per share - before tax (Rs)	12.40	10.24	12.64	11.99	11.60	11.04
Earning per share - after tax (Rs)	9.19	7.66	8.46	8.07	7.23	7.22
Break-up value per share (Rs) :						
- Without Surplus on Revaluation on Fixed Assets - With Surplus on Revaluation on Fixed Assets	82.44	78.25	75.59	72.17	67.74	61.91
Price Earning Ratio - Year end Price (Rs)	4.79	5.29	5.08	6.19	10.61	15.78
Earning Yield - Year end Price %	20.88%	18.91%	19.68%	16.14%	9.43%	6.34%
Dividend Payout %	54.42%	65.30%	59.11%	61.94%	57.65%	48.07%
Dividend Yield - Year end Price %	11.36%	12.35%	11.63%	10.00%	6.52%	4.39%
Dividend Cover - Times	1.84	1.53	1.69	1.61	1.73	2.08
Market Capitalization - Year end Price - Rs '000)	1,810,596	1,666,571	1,769,034	2,057,495	2,628,794	3,256,269
SHARE PERFORMANCE						
Share Price - Highest (Rs)	47.85	50.40	64.71	83.50	143.75	142.85
Share Price - Lowest (Rs)	31.20	34.00	39.50	35.50	75.05	78.15
Share Price - Average (Rs)	39.52	42.20	52.11	59.50	109.40	110.50
Share Price - At year end (Rs)	44.00	40.50	42.99	50.00	76.66	113.95
Turnover of shares	2,239,201	2,215,905	2,383,636	1,068,200	4,295,000	1,417,100
PRODUCTION (Ton)						
Actual Production						
Banknote Paper	1,243	1,199	1,423	1,424	1,627	1,709
Non-Banknote Paper	418	203	164	300	171	130
Total	1,661	1,402	1,587	1,724	1,798	1,839
SALES (Ton)						
Banknote Paper	1,241	1,433	1,416	1,415	1,561	1,601
Non-Banknote Paper	419	189	171	293	171	129
	1,660	1,622	1,587	1,708	1,732	1,730
CASH FLOW SUMMARY						
Cash Flows from Operating activities	263,604	234,684	286,335	288,243	129,742	379,901
Net cash used in investing activities	(319,519)	(441,575)	(144,602)	(421,147)	(88,157)	(570,047)
Net cash used in financing activities	34,820	194,726	(211,364)	(105,782)	(87,488)	(66,004)
Cash and cash equivalents at beginning of the year	37,592	49,757	119,388	358,074	403,977	660,127
Cash and cash equivalents at end of the year	**16,497**	**37,592**	**49,757**	**119,388**	**358,074**	**403,977**

* Proposed cash dividend of Rs 246.899 million (i.e. Rs 6 /- per share) is not reflected in the financial statements as referred to in note 37 of the financial statements.

Horizontal Analysis

	2012	2011	2010	2009	2008	2007
BALANCE SHEET						
ASSETS						
Non-current assets						
Property, plant and equipment	**23.22%**	37.74%	-1.61%	4.95%	-3.15%	-5.03%
Long-term deposits	**38.72%**	1.03%	2.99%	2.83%	5.20%	5.60%
Investments	**100%**	-	-	-	-100.00%	-85.21%
Current assets						
Stores, spares and loose tools	**32.17%**	-9.82%	17.19%	12.21%	27.78%	34.94%
Stock-in-trade	**12.57%**	-0.14%	36.86%	-4.39%	19.78%	34.57%
Trade debts - considered good	**0.47%**	60.75%	-30.06%	9.90%	314.16%	-41.02%
Advances, deposits, prepayments and other receivables	**68.37%**	-59.34%	-31.82%	2.02%	153.22%	43.57%
Accrued mark-up	**-90.91%**	101.05%	285.03%	219.41%	81.50%	-33.51%
Loans, receivables & Investments	**-100.00%**	-4.45%	6.39%	19.68%	16.36%	109.55%
Cash and bank balances	**-56.12%**	-24.45%	-28.29%	-56.10%	-11.68%	-3.32%
Total assets	**10.71%**	18.23%	5.41%	7.92%	12.95%	13.48%
LIABILITIES						
Current liabilities						
Current portion of Long term liabilities - Lease/Loan	**76%**	4334%	26.34%	23.24%	100.00%	
Trade and other payables	**9.50%**	46.81%	13.05%	19.01%	36.29%	0.77%
Accrued mark-up on short term finance - secured	**36%**	10377%	544.44%	125.00%	-50.00%	100.00%
Taxation - net	**-95.98%**	-32.71%	2.76%	-3.64%	48.94%	247.98%
Non-current liabilities						
Liabilities against asset subject to finance lease	**-26.19%**	19.85%	41.14%	37.89%	100.00%	-
Long Term Finance	**49.97%**	100%	-	-	-	-
Deferred taxation - net	**53.22%**	55.52%	9.63%	46.17%	46.37%	53.34%
Total liabilities	**26.75%**	105.70%	9.56%	17.38%	45.09%	48.34%
NET ASSETS	**5.35%**	3.51%	4.74%	6.54%	9.41%	10.62%
Issued, subscribed and paid-up capital	**0.00%**	0.00%	0.00%	20.00%	20.00%	30.00%
General reserve	**4.37%**	6.05%	5.69%	6.00%	7.95%	15.68%
Unappropriated profit	**20.10%**	-9.47%	4.77%	11.66%	0.01%	-24.81%
Surplus on re-measurement of investments classified as 'available for sale'	**-**	-	-100.00%	-96.80%	137.23%	189.73%
SHAREHOLDER'S EQUITY	**5.35%**	3.51%	4.74%	6.54%	9.41%	10.62%
Total liabilities & Shareholder Equity	**10.71%**	18.23%	5.41%	7.92%	12.95%	13.48%
Profit & Loss Account						
Sales - net	**20.56%**	13.06%	2.08%	10.24%	7.37%	-0.69%
Cost of sales	**10.22%**	38.12%	3.82%	19.92%	11.82%	0.69%
Gross profit	**49.38%**	-24.92%	-0.45%	-1.34%	2.49%	-2.17%
Administration and general expenses	**11.16%**	23.01%	38.83%	22.26%	18.15%	3.08%
Other operating income	**-1.96%**	20.66%	5.48%	80.18%	27.81%	38.61%
Other operating charges	**65.55%**	-2.41%	-51.20%	126.08%	7.14%	-12.69%
Impairment loss on 'available for sale' investment	**-100%**	67.03%	-55.75%	100.00%	-	-
Operating profit	**29.34%**	-18.05%	5.48%	3.56%	5.21%	4.16%
Finance costs	**578.25%**	239.79%	4.92%	239.09%	318.25%	-25.88%
Profit before taxation	**21.04%**	-18.98%	5.48%	3.30%	5.13%	4.17%
Taxation - net	**24.11%**	-38.17%	6.90%	-10.54%	14.71%	289.00%
Profit after taxation	**20.00%**	-9.48%	4.80%	11.68%	0.07%	-24.87%

Vertical Analysis

	2012	2011	2010	2009	2008	2007
BALANCE SHEET						
ASSETS						
Non-current assets						
Property, plant and equipment	**44.40%**	39.89%	34.24%	36.68%	37.72%	43.99%
Long-term deposits	**0.51%**	0.41%	0.47%	0.49%	0.51%	0.55%
Long Term Investments	**12.15%**	-	-	-	-	0.87%
Current assets						
Stores, spares and loose tools	**2.40%**	2.01%	2.63%	2.37%	2.28%	2.01%
Stock-in-trade	**8.45%**	8.32%	9.85%	7.58%	8.56%	8.07%
Trade debts - considered good	**6.89%**	7.60%	5.59%	8.42%	8.27%	2.26%
Advances, deposits, prepayments and other receivables	**0.33%**	0.21%	0.62%	0.97%	1.02%	0.46%
Accrued mark-up	**0.65%**	7.89%	4.64%	1.27%	0.43%	0.27%
Loans, receivables & Investments	**-**	32.80%	40.58%	40.21%	36.26%	35.20%
Investments	**23.88%**	-	-	-	-	-
Cash and bank balances	**0.35%**	0.87%	1.37%	2.01%	4.95%	6.33%
Total assets	**100%**	100%	100%	100%	100%	100%
LIABILITIES						
Current liabilities						
Current portion of liabilities against asset subject to finance lease	**3.41%**	2.14%	0.06%	0.05%	0.04%	0.00%
Trade and other payables	**7.53%**	7.61%	6.13%	5.71%	5.18%	4.29%
Accrued mark-up on short term finance - secured	**0.17%**	0.14%	0.00%	0.00%	0.00%	0.00%
Taxation - net	**0.08%**	2.23%	3.91%	4.01%	4.49%	3.41%
Non-current liabilities						
Liabilities against asset subject to finance lease	**0.18%**	0.26%	0.26%	0.19%	0.15%	0.00%
Long Term Finance	**9.96%**	7.35%	0.00%	0.00%	0.00%	0.00%
Deferred taxation - net	**7.36%**	5.31%	4.04%	3.88%	2.87%	2.21%
Total liabilities	**28.68%**	25.05%	14.40%	13.85%	12.74%	9.92%
NET ASSETS	**71.32%**	74.95%	85.60%	86.15%	87.26%	90.08%
Issued, subscribed and paid-up capital	**8.65%**	9.58%	11.32%	11.94%	10.73%	10.10%
General reserve	**54.71%**	58.03%	64.70%	64.53%	65.70%	68.74%
Unappropriated profit	**7.96%**	7.33%	9.58%	9.64%	9.32%	10.52%
Surplus on re-measurement of investments classified as 'available for sale'	**-**	-	-	0.04%	1.52%	0.72%
SHAREHOLDER'S EQUITY	**71.32%**	74.95%	85.60%	86.15%	87.26%	90.08%
Total liabilities & Shareholder Equity	**100%**	100%	100%	100%	100%	100%
Profit & Loss Account						
Sales - net	**100.00%**	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of sales	**67.29%**	73.60%	60.25%	59.24%	54.45%	52.28%
Gross profit	**32.71%**	26.40%	39.75%	40.76%	45.55%	47.72%
Administration and general expenses	**9.11%**	9.89%	9.09%	6.68%	6.02%	5.47%
Other operating income	**16.08%**	19.77%	18.53%	17.93%	10.97%	9.21%
Other operating charges	**4.44%**	3.24%	3.75%	7.84%	3.82%	3.83%
Impairment loss on 'available for sale' investment	**-**	0.21%	0.14%	0.33%	-	-
Operating profit	**35.23%**	32.84%	45.30%	43.84%	46.67%	47.62%
Finance costs	**2.75%**	0.49%	0.16%	0.16%	0.05%	0.01%
Profit before taxation	**32.48%**	32.35%	45.14%	43.68%	46.62%	47.61%
Taxation - net	**8.41%**	8.17%	14.94%	14.26%	17.58%	16.45%
Profit after taxation	**24.07%**	24.18%	30.20%	29.42%	29.04%	31.16%

2012

Management Review

The Management

Front row from left to right:
Mrs. Naiyer Muzafar Husain, Mr. Rizwan Ul Haq Khan,
Mr. Ghulam Hussain Akhtar and Syed Ahmad Raza

Back row from left to right:
Mr. Nadeem Azhar, Mr. Muhammad Imran Awan, Mr. Talha Bin Hamid
Maj. (Retd.) Muhammad Ali Niazi, Mr. Khalil Ahmed, Mr. Faiz-Ul-Islam,
Mr. Saadat Ali and Mr. Muhammad Abdul Aleem

Production

During the year, the Production department has made significant headway in the following areas:

- Improvement in the quality of paper by changing recipes of size solution (for both internal sizing and external coating)
- Increased the seasoning and conditioning properties of paper for earlier readiness of paper for printability. This has reduced finished inventory carrying time and cost
- Reduced the level of expensive raw material in raw material mix and improved the volume of paper broke for efficient recycling. A Project of broke re-pulping plant is in progress for efficient use of recycled paper
- Reduction in consumption of costlier chemicals
- Increase in the machine speed through process re-engineering
- Implementation of different quality management tools and techniques including DMIAC, LEAN, BRAIN STORMING and 5S within the production environment
- As part of product diversification program, traveller's cheque paper is successfully manufactured and production of passport and cheque book paper is planned.
- The quality and consistency of input raw material is being improved through implementing a system of in-house quality checks to reduce spoilage
- It is the commitment of the Production department to continue improving production processes for cost saving and profit maximization

Engineering

During the year 2011-2012, the Engineering department attended the following jobs to further improve the plant efficiency:

- Successful increase in machine speed from 32 meter per minute (m/min) to 42 m/min which increased the plant production
- Construction of new Mould building equipped with state-of-the-art mould cover making equipment and facilities
- Installation of new water supply system to increase water supply to plant
- Execution of scheduled preventive maintenance of plant equipments. This included overhauling of stock preparation Refiner using advanced Shaft Alignment Tool
- Construction of the new office of Supply Chain department and renovation of Board room

Tasks in Progress

- Installation of Broke re-pulping plant for efficient recycling of paper broke
- Renovation of existing Pulp Mill section including installation of new goods lift, pumps, flooring, improvement in ventilation and lighting, etc.

Future Plans

- Enhancement in capacity of the existing Reverse Osmosis (RO) plant from 0.5 Million Gallon Daily (MGD) to 0.75 MGD
- Enhancement in existing Co-generation power plant from 2.8 MW to 4.2 MW to meet the requirement of plant upgrade

Quality Assurance and Research & Development

To achieve the highest degree of customers' satisfaction, quality system procedures have been built-in in the entire management system by setting the quality objectives and targets for the whole year with continuous improvement in the existing Integrated Quality and Environmental Management System (IMS) of ISO 9001:2008 and ISO 14001:2004.

To maintain the quality of products conforming to customers' requirements, all the stages of production processes from acceptance of raw materials to release of final finished products to customers are ensured by the implementation of quality management system.

Research & Development

To meet future challenges, we are constantly in search of areas of improvement. For this purpose, we are already engaged in balancing, up-gradation and modernization of existing capital assets and resources. We feel that the research and development activities are the backbone of sustainability.

Efforts are being made to reduce processes and material losses to ensure continuous improvement in efficiency. The objective is to increase customers' satisfaction.

During the year, following activities were carried out in the R&D department for achieving the desired objectives:

- Cost reduction by using cost effective alternate raw material and chemicals
- New product formulation and design modification have been developed (such as for cheque and national passport papers) according to customers' requirement. SPL has now developed capability to produce cheque paper and is on way to achieving such capability in respect of passport paper
- Overall spoil losses were reduced to lower side as compared to previous year
- By improving the system of monitoring the relative humidity, the process efficiency and the level of customers' satisfaction have significantly increased

Security

Security is the prime concern owing to the prevailing law and order situation of the country. Keeping in view the objective, our focus remained on finding innovative and latest technology to further improve the safety and security of our product and premises against any pilferage, theft or sabotage.

The following activities were performed by the Security department during the year:

- Along with the main road and away from main wall of the factory a 11 feet high solid security fence has been erected to keep the installation safe from any sabotage. This has significantly improved and upgraded the quality of security

- CCTV, Access Control & Fire Alarm Systems have been upgraded

- The following systems have been installed in the new Mould Building:

    - Fire Alarm System including smoke detectors, heat detectors, sounder and manual call points

    - Access Control System

    - CCTV System including dome and fixed cameras

- More Dome and fixed cameras have been added to increase level of security in the Finishing department

- New internal telephone line has been laid from SPL Telephone Exchange extending up-to the Main and new Mould building to ensure efficient communication

- In-house training sessions in "Basic Fire Fighting & First Aid" were arranged through Civil Defence Authorities

- Local and foreign training on security related matters was arranged for four and two officers respectively

Finance & Accounts

The Finance & Accounts department plays a vital role in achieving company s' Vision, and Objectives. The department manages company's finances and has core responsibility for organising the financial and accounting affairs including the preparation and presentation of financial information. The following are the finance department's objectives:

- To provide a systematic and effective accounting system and financial management
- To strengthen strategic planning, budgeting functions and financial management and coordinate important activities for achievement of the Company's objectives
- Finance department is responsible for all matters related to financial procedures and the application of the principles of sound finance
- Provide strategic financial support for business and operational planning
- Preparation and compilation of budget estimates and to maintain an effective budgetary control system
- Provide day to day financial services to the management and staff
- Control of expenditure and economy measures
- Advise on the financial aspect of all transactions
- Introduce cost effectiveness and profit improvement plans
- Strive for overall corporate health
- Monitor capital structure and debt equity ratios
- Working capital and funds management
- Cost control, product pricing and management controls

The Finance & Accounts department is committed to maintain highest standards of ethics and professionalism and play a proactive role in achieving company's objectives. The finance and accounts department will continue to work with dedication and team work, add value, face new challenges and to excel the expectations of the management and the shareholders.

Information Technology

The Information Technology department (IT) caters to the company's information technology requirements and its focus is on rationalization and optimization of processes by aligning with industry best practices. The IT provides requisite leverage to the Company to boost its performance by focusing on effective and rapid communication and developing information technology policies and procedures for sustaining the current business status and for future business progress by performing following functions:

- Implementation and continuous developments of Oracle applications
- Attain business efficiency through Oracle systems
- Provide hardware and software support and management
- Identify and analyze user needs for computer-based systems
- Users training and design workflow of IT department
- Disaster recovery management
- Implement security policies to ensure security of database
- Provides technical support in the form of training
- Integrate IT-based solutions into the user environment
- Application of best practices and standards
- Implementation of data back up management policies
- Planning of different IT related programmes
- Design develop and maintain the Company's website

The role of the Information Technology department is to provide information and communication services and support through Oracle based systems to enable the Company to attain business efficiency and to achieve its goals and objectives and ensure that all investment in hardware and software are in line with Company's long term plans.

Internal Audit

Internal Audit (IA) closely monitors and analyses critical areas such as production losses, raw material costs, profitability, corporate compliance and inventory management. IA is also involved in a comprehensive pre-audit procedure covering procurements, capital expenditures and all payments. During 2011-12 IA initiated and implemented an annual audit plan covering all departments of the Company; a formal Internal Audit Manual was developed and was implemented after independent vetting by an Audit Firm. The Manual aims to bring the IA in line with the latest Internal Auditing Standards as issued by Institute of Internal Auditors, USA and other best practices. IA also added considerable value to SPL's operations by advising on various affairs and providing guidance and assistance in the areas of compliance and efficiency.

The Internal Audit department is governed by the Board Audit Committee (BAC) which consists of Non-executive Directors and is chaired by an independent Director. It assists the BAC and the Board in fulfilling their responsibilities. The head of the Internal Audit department reviews and reports to the Chairman of BAC on the following aspects of Company's operations:

- Adequacy and effectiveness of internal controls
- Management of financial risk
- Watching for indications of fraud and other malpractices and ensuring that the Company has adequate safeguards against this risk
- Continued assurance that financial accounting and other records and reports provide a true and fair view of Company's operations
- Safeguard of Company's assets, processes, information and interests by the management
- Monitoring and advice on Company's profitability and risks affecting business continuity
- Compliance of Company's operations with applicable regulatory framework, including Companies Ordinance 1984, Code of Corporate Governance, other applicable statutes, International Accounting Standards (as adopted by Institute of Chartered Accountants of Pakistan) and best practices
- Compliance of respective departments with policies, plans and procedures as laid down by the management
- Compliance of Company's internal control structure with Corporate Governance provisions and International Professional Practices Framework issued by Institute of Internal Auditors, USA

Human Resource and Administration

We believe that Human Resource & Administration (HR&A) department exists to serve people in the organization who are seen as a key resource rather than simply as a cost. Employees are the key factor behind organizational success.

We aspire to stay agile, year after year, by creating a vision driven organization that continuously strives to empower employees. They are empowered to make decision that concerns them and the productivity. However, where required they may seek guidance from their superiors to execute new ideas.

Ensuring a healthy organization culture and conducive work environment are two of the most focus areas for Human Resource function. Various steps have been taken to create comfortable working environment so that the best results and high performance of individuals can be achieved. Our personnel have not only grown professionally, but also intellectually.

Corporate

All the legal and regulatory requirements were complied in all material respects. Matters related to the shareholders were quickly responded. No shareholder related issues remain unresolved during the year.

All of the team members of corporate affairs function believe in facilitating the shareholders to exceed their expectations.

All Board meetings were arranged within the time frame required by the law.

Annual General Meeting of the Company was held within the period of two month as against the allowed time period of four month.

Dividend Warrants were dispatched within 10 days instead of the requirement of 30 days.

A high level of coordination has been maintained among the share registrar, shareholders and other stakeholders.

Supply Chain

During the year the Supply Chain (SC) department played its due role in achieving Company objectives and targets. This has resulted in improved efficiency and satisfaction of relevant stakeholders.

One of the major areas of concern was the prevailing uncertainty in international and local market-place which continued this year as well. This made the role of the SC department even more difficult as it had to ensure maximum economy and benefit for the organization. We once again made certain that all our buying pattern of raw / input materials and plant spares must have a correlation with global and domestic pricing patterns and we believe we remained competitive by any standards in doing so.

The SC department has also ensured uninterrupted supply of raw materials, allied items, and engineering spares etc, at most competitive prices for smooth operation of the Plant. Timely availability of required items has ensured trouble free operations. There was no incidence of production disruption because of non-availability of any required item.

All out efforts were made to locate and develop the best possible set of suppliers who can contribute in making the final product most economical and of the highest quality standards.

We searched for alternate suppliers and added several new names in our existing list so that an environment of healthy competition could be created. The objective is to provide most beneficial options for the organization.

The SC department has also worked for training and development of major raw material (i.e. Comber and Denim) suppliers. Our team frequently visited the suppliers and guided them about required quality and specifications of the material to be supplied by them. This has ensured that rejections due to quality non-conformance are minimized.

In-house training sessions were also held for the suppliers and they were guided on all aspects of supplied material from quality, testing and inspection parameters to its ultimate use and the sensitivity attached with it. The Quality Assurance and Production departments provided necessary support during the training.

During the year, various plant upgrade projects continued which involved imports of various heavy machinery and equipments. The SC department ensured timely clearance and delivery of all consignments which included sophisticated components requiring utmost care in handling.

We assure all our stakeholders that we will continue to work to the best of our abilities and use all our resources to ensure even better performance comparable with international standards for the ultimate gain and benefit of the organization.

Statement of Compliance with the Code of Corporate Governance

Name of Company: **Security Papers Limited**
Year Ended: **June 30, 2012**

This statement is being presented to comply with the Code of Corporate Governance (CCG) 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 CCG in the following manner:

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

Name of Director	Category of Director		
	Independent (06)	Non-Executive (08)	Executive (01)
Mr. Mustapha A. Chinoy	✓	✓	
Mrs. Naiyer Muzafar Husain			✓
Sheikh Mohammad Aijaz Akhtar	✓	✓	
Mr. Hasan Irfaan		✓	
Mrs. Ayla Akin - (Turkey)	✓	✓	
Mr. Jamal Nasim	✓	✓	
Mr. Mazhar-ul-Hassan Shah		✓	
Mr. Mohammad Reza Roshani Moghaddam - (Iran)	✓	✓	
Ms. Yasmin Saud	✓	✓	

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Finance Institution (DFI) or a Non-Banking Finance Institution (NBFI) or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. One casual vacancy has occurred during the period under review. This vacancy was immediately filled up.

5. The Company has prepared a 'Statement of Ethics and Business Practices' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policy and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/Shareholders.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

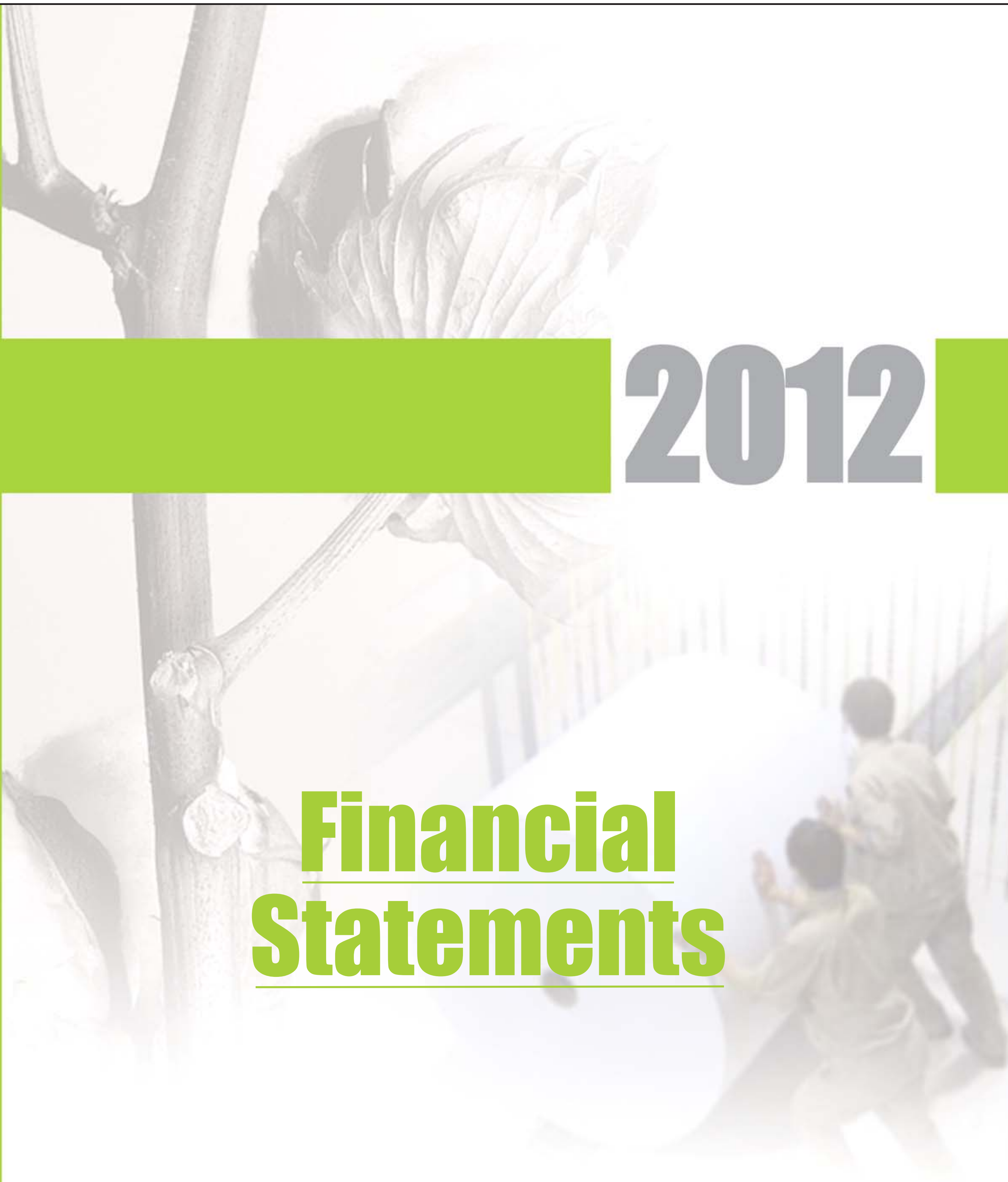
Statement of Compliance with the Code of Corporate Governance

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. Two directors of the Company have completed Corporate Governance Leadership Skills (CGLS) Program of the Pakistan Institute of Corporate Governance (PICG) during the period under review. In addition one director meets the criteria of exemption under clause (xi) of CCG and is accordingly exempted from directors' training program.
10. The Board had approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises three members, of whom all are non-executive directors and the Chairman of the Committee is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises four members, of whom three are non-executive directors and the Chairman of the Committee is an independent director.
18. The Board has set-up an effective internal audit function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board of Directors

MRS. NAIYER MUZAFAR HUSAIN
Chief Executive

Karachi
Dated: July 31, 2012



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Financial Statements

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

KPMG

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Chartered Accountants
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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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub- Regulation (xiii) of Listing Regulation No. 35 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 undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2012.

KPMG Taseer Hadi & Co.

Date: 31 July 2012

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

Auditors' Report to the Members

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 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

  i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

  ii) the expenditure incurred during the year was for the purpose of the Company's business; and

  iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2012 and of the profit, total comprehensive income, cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KPMG Taseer Hadi & Co.

Date: 31 July 2012

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

Balance Sheet

As At 30 June 2012

	Note	2012	2011
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	4	**2,111,951**	1,713,993
Long-term deposits	5	**24,188**	17,436
Long-term investments	6	**577,710**	-
		2,713,849	1,731,429
Current assets			
Stores, spares and loose tools	7	**114,067**	86,303
Stock-in-trade	8	**402,159**	357,264
Trade debts - considered good	9	**327,903**	326,355
Advances, deposits, prepayments and other receivables	10	**15,537**	9,228
Accrued mark-up	11	**30,812**	339,033
Investments	12	**1,135,835**	1,409,178
Cash and bank balances	13	**16,497**	37,592
		2,042,810	2,564,953
Total assets		**4,756,659**	4,296,382
LIABILITIES			
Current liabilities			
Trade and other payables	14	**358,051**	326,982
Accrued mark-up		**8,252**	6,077
Current maturity of long term loan	16	**158,792**	89,033
Current portion of liabilities against asset subject to finance lease	17	**3,387**	3,068
Taxation - net		**3,849**	95,662
		532,331	520,822
Non-current liabilities			
Long term loan	16	**473,766**	315,906
Liabilities against asset subject to finance lease	17	**8,346**	11,308
Deferred taxation - net	18	**349,854**	228,335
		831,966	555,549
Total liabilities		**1,364,297**	1,076,371
Contingencies and commitments	19		
NET ASSETS		**3,392,362**	3,220,011
FINANCED BY:			
Authorised share capital			
70,000,000 (2011: 70,000,000) ordinary shares of Rs 10 each		**700,000**	700,000
Issued, subscribed and paid-up capital	20	**411,499**	411,499
General reserve		**2,602,389**	2,493,389
Unappropriated profit		**378,474**	315,123
SHAREHOLDER'S EQUITY		**3,392,362**	3,220,011

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

Naiyer Muzafar Husain
Chief Executive

Jamal Nasim
Director

Profit and Loss Account

For the year ended 30 June 2012

	Note	2012	2011
		(Rupees in '000)	
Sales - net	21	**1,570,912**	1,303,019
Cost of sales	22	**(1,057,056)**	(959,019)
Gross profit		**513,856**	344,000
Administration and general expenses	23	**(143,181)**	(128,812)
Other operating income	25	**252,575**	257,621
Other operating charges	26	**(69,817)**	(42,174)
Impairment loss on 'available for sale' investment		**-**	(2,736)
Operating profit before finance cost		**553,433**	427,899
Finance costs	27	**(43,211)**	(6,371)
Profit before taxation		**510,222**	421,528
Taxation - net	28	**(132,121)**	(106,452)
Profit after taxation		**378,101**	315,076
		(Rupees)	
Earnings per share	29	**9.19**	7.66

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

Naiyer Muzafar Husain
Chief Executive

Jamal Nasim
Director

Security Papers Limited

Statement of Comprehensive Income

For the year ended 30 June 2012

	2012	2011
	(Rupees in '000)	
Profit for the year	**378,101**	315,076
Other comprehensive income for the year		
Unrealised diminution during the year on remeasurement of investments classified as 'available for sale'	-	2,736
Impairment loss on 'available for sale' investment transferred to profit and loss account	-	(2,736)
	-	-
Total comprehensive income for the year	**378,101**	315,076

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

Naiyer Muzafar Husain
Chief Executive

Jamal Nasim
Director

Cash Flow Statement

For the year ended 30 June 2012

	Note	2012	2011
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	33	**413,808**	306,652
Long-term deposits		**(6,752)**	(178)
Taxes paid		**(102,416)**	(71,438)
Finance costs paid		**(41,036)**	(352)
Net cash generated from operating activities		**263,604**	234,684
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(549,152)**	(586,221)
Proceeds from sale of property, plant and equipment		**2,142**	12,510
Investment made during the year - net		**(277,215)**	61,254
Mark-up received		**504,706**	70,882
Net cash used in investing activities		**(319,519)**	(441,575)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term loan		**227,619**	404,939
Payments against lease obligations		**(4,892)**	(4,463)
Dividend paid		**(187,906)**	(205,750)
Net cash from financing activities		**34,821**	194,726
Net decrease in cash and cash equivalents		**(21,094)**	(12,165)
Cash and cash equivalents at beginning of the year		**37,592**	49,757
Cash and cash equivalents at end of the year		**16,497**	37,592

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

Naiyer Muzafar Husain
Chief Executive

Jamal Nasim
Director

Statement of Changes in Equity

For the year ended 30 June 2012

	Issued, subscribed and paid-up share capital	General reserves	Unappropriated profit	Total
	---------------------------- (Rupees in '000)			--------------------------
Balance as at 30 June 2010	411,499	2,351,089	348,097	3,110,685
Total comprehensive income for the year ended 30 June 2011				
Profit for the year	-	-	315,076	315,076
Transactions with owners - Final cash dividend @ Rs 5.00 per share for the year ended 30 June 2010	-	-	(205,750)	(205,750)
Transfer to general reserves	-	142,300	(142,300)	-
Balance as at 30 June 2011	411,499	2,493,389	315,123	3,220,011
Total comprehensive income for the year ended 30 June 2011				
Profit for the year	-	-	378,101	378,101
Transactions with owners - Final cash dividend @ Rs 5.00 per share for the year ended 30 June 2011	-	-	(205,750)	(205,750)
Transfer to general reserves	-	109,000	(109,000)	-
Balance as at 30 June 2012	**411,499**	**2,602,389**	**378,474**	**3,392,362**

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

Naiyer Muzafar Husain
Chief Executive

Jamal Nasim
Director

Notes to the Financial Statements

For the year ended 30 June 2012

1. STATUS AND NATURE OF BUSINESS

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except that certain investments are carried at fair value 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 3.10,3.11 and 24)
- Taxation (Note 3.15)
- Fair value of investments classified as 'available for sale' (Note 3.3, 34.4)

Notes to the Financial Statements

2.5 Standards, amendments or interpretations which became effective during the year

During the year certain amendments to Standards and new intepretations became effective however they did not have any material effect on the financial statements of the Company.

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

The following standards, amendments and interpretations of approved accounting standards are only effective for annual periods beginning from the dates specified below. Except for the amendment in IAS 19 which results in immediate recognition of actuarial gains or losses and revised basis of calculation for net finance cost, 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:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

- IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.

IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below and 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.

Notes to the Financial Statements

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

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

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

Gains or losses on disposal of property, plant and equipment are included in 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, 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, loans receivables and available-for-sale categories. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

(a) Held-to-maturity

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

(b) Loans and receivables

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

(c) Available for sale

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

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

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

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

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

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

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

Financial liabilities

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

Offsetting of financial assets and financial liabilities

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

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.

Notes to the Financial Statements

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 other 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 Trade and other payables

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

3.9 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.

3.10 Employee retirement benefits

The Company operates:

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

(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.

3.11 Employees' compensated absences

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

3.12 Mark-up bearing borrowings

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

3.13 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.

3.14 Revenue recognition

- Sales are recorded on dispatch of goods when significant risk and rewards of ownership are transferred to the customers.

- Return on bank deposits is recognised on accrual basis taking into account the effective yield.

- Income on available for sale debt securities, held-to-maturity investments and loans and receivables are recognised using effective interest rate method.

- Dividend income is recognised when the Company's right to receive the dividend is established.

- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.

- Sale of waste materials is recognized when goods are dispatched and miscellaneous receipts are recognised on receipt basis.

3.15 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.

Notes to the Financial Statements

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.

3.16 Expenses

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

3.17 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.

3.18 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.

3.19 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.

4. PROPERTY, PLANT AND EQUIPMENT	**Note**	**2012**	2011
		(Rupees in '000)	
Operating fixed assets	4.1	**2,083,182**	1,570,615
Capital work-in-progress	4.4	**2,558**	143,378
Spares held for capital expenditure - in transit	4.5	**26,211**	-
		2,111,951	1,713,993

Notes to the Financial Statements

4.1 Operating fixed assets

2012

	Land: Lease-hold	Land: Free-hold	Buildings on: Leasehold land	Buildings on: Freehold land	Plant and machinery	Laboratory equipment	Furniture and fixtures	Electric, water and gas installation	Office and security equipment	Computers and computer accessories	Motor vehicles: Owned	Motor vehicles: Leased	Total
	(Rupees in '000)												
At 1 July 2011													
Cost	417	293	1,015	63,054	2,173,711	26,300	2,545	59,202	28,225	9,851	5,283	18,782	2,388,678
Accumulated depreciation	-	-	(897)	(12,981)	(726,858)	(16,127)	(1,358)	(25,566)	(17,061)	(7,956)	(3,770)	(5,489)	(818,063)
Net book value	417	293	118	50,073	1,446,853	10,173	1,187	33,636	11,164	1,895	1,513	13,293	1,570,615
During the year													
Additions	-	-	-	32,601	596,468	-	4,189	26,871	2,987	606	38	2,248	666,008
Disposals:													
Cost	-	-	-	-	-	-	-	-	-	-	(88)	(2,605)	(2,693)
Depreciation	-	-	-	-	-	-	-	-	-	-	25	908	933
	-	-	-	-	-	-	-	-	-	-	(63)	(1,697)	(1,760)
Depreciation charge for the year	-	-	(25)	(1,564)	(134,279)	(2,597)	(185)	(3,905)	(3,769)	(790)	(886)	(3,681)	(151,681)
Closing net book value	**417**	**293**	**93**	**81,110**	**1,909,042**	**7,576**	**5,191**	**56,602**	**10,382**	**1,711**	**602**	**10,163**	**2,083,182**
At 30 June 2012													
Cost	417	293	1,015	95,655	2,770,179	26,300	6,734	86,073	31,212	10,457	5,233	18,425	3,051,993
Accumulated depreciation	-	-	(922)	(14,545)	(861,137)	(18,724)	(1,543)	(29,471)	(20,830)	(8,746)	(4,631)	(8,262)	(968,811)
Net book value	**417**	**293**	**93**	**81,110**	**1,909,042**	**7,576**	**5,191**	**56,602**	**10,382**	**1,711**	**602**	**10,163**	**2,083,182**
Depreciation rate % per annum	**-**	**-**	**2.5%**	**2.5%**	**6% & 25%**	**10%**	**6%**	**6%**	**15%**	**25%**	**20%**	**20%**	

2011

	Land: Lease-hold	Land: Free-hold	Buildings on: Leasehold land	Buildings on: Freehold land	Plant and machinery	Laboratory equipment	Furniture and fixtures	Electric, water and gas installation	Office and security equipment	Computers and computer accessories	Motor vehicles: Owned	Motor vehicles: Leased	Total
	(Rupees in '000)												
At 1 July 2010													
Cost	417	293	1,015	61,377	1,744,711	26,300	2,545	54,869	27,604	8,389	7,256	13,852	1,948,628
Accumulated depreciation	-	-	(872)	(11,615)	(625,496)	(13,522)	(1,243)	(22,454)	(13,813)	(7,482)	(5,028)	(2,739)	(704,264)
Net book value	417	293	143	49,762	1,119,215	12,778	1,302	32,415	13,791	907	2,228	11,113	1,244,364
During the year													
Additions	-	-	-	1,677	434,279	-	-	4,333	742	1,462	350	7,327	450,170
Disposals:													
Cost	-	-	-	-	(5,279)	-	-	-	(121)	-	(2,323)	(2,397)	(10,120)
Depreciation	-	-	-	-	5,279	-	-	-	94	-	2,184	732	8,289
	-	-	-	-	-	-	-	-	(27)	-	(139)	(1,665)	(1,831)
Depreciation charge for the year	-	-	(25)	(1,366)	(106,641)	(2,605)	(115)	(3,112)	(3,342)	(474)	(926)	(3,482)	(122,088)
Closing net book value	**417**	**293**	**118**	**50,073**	**1,446,853**	**10,173**	**1,187**	**33,636**	**11,164**	**1,895**	**1,513**	**13,293**	**1,570,615**
At 30 June 2011													
Cost	417	293	1,015	63,054	2,173,711	26,300	2,545	59,202	28,225	9,851	5,283	18,782	2,388,678
Accumulated depreciation	-	-	(897)	(12,981)	(726,858)	(16,127)	(1,358)	(25,566)	(17,061)	(7,956)	(3,770)	(5,489)	(818,063)
Net book value	**417**	**293**	**118**	**50,073**	**1,446,853**	**10,173**	**1,187**	**33,636**	**11,164**	**1,895**	**1,513**	**13,293**	**1,570,615**
Depreciation rate % per annum	**-**	**-**	**2.5%**	**2.5%**	**6% & 25%**	**10%**	**6%**	**6%**	**15%**	**25%**	**20%**	**20%**	

Notes to the Financial Statements

4.1.1 Additions during the year in plant and machinery include borrowing costs capitalised amounting to Rs 42.893 million (2011: Rs. 18.999 million) which relate to long term loan acquired for the balancing, modernisation and replacement project of the plant and machinery of the Company.

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

	Note	2012	2011
		(Rupees in '000)	
Cost of sales	22	**145,823**	116,807
Administration and general expenses	23	**5,858**	5,281
		151,681	122,088

4.3 Particulars of operating fixed assets disposed off during the year

	Cost	Accumulated depreciation	Net book value	Sales proceeds	Mode of disposal	Particulars of buyers	Location
	(Rupees in '000)						
Vehicle - owned							
Trakker	44	10	34	6	Company policy	Khawaja Saqib	Karachi
Trakker	44	15	29	7	Company policy	Faisal Farooq	Karachi
Vehicle - leased							
Suzuki Alto	603	261	342	477	Company policy	Faisal Farooq	Karachi
Toyota Corolla	1,384	461	923	1,126	Company policy	Khawaja Saqib	Karachi
Suzuki Alto	618	186	432	526	Company policy	Khalil Ahmad	Karachi
2012	**2,693**	**933**	**1,760**	**2,142**			
2011	10,120	8,289	1,831	12,510			

4.4 Capital work-in-progress

	2012	2011
	(Rupees in '000)	
Building	**86**	994
Advance against purchase of plant and machinery	**933**	142,384
Others	**1,539**	-
	2,558	143,378

	Note	2012	2011
		(Rupees in '000)	
The movement in capital work-in-progress is as follows:			
Balance as at beginning of the year		**143,378**	-
Additions during the year			
- Plant and machinery		**435,835**	575,259
- Building		**31,692**	2,546
- Electric, water and gas installations		**21,122**	-
- Others		**5,184**	416
		493,833	578,221
Transfers to operating fixed assets			
- Plant and machinery		**(577,285)**	(432,875)
- Building		**(32,602)**	(1,552)
- Electric, water and gas installations		**(20,582)**	-
- Others		**(4,184)**	(416)
		(634,653)	(434,843)
Balance at end of the year		**2,558**	143,378

4.5 Spares held for capital expenditure - in transit

This pertains to spares in transit for certain machinery capitalised during the year.

5. LONG-TERM DEPOSITS

	Note	2012	2011
Security deposits	5.1	**24,188**	17,436

5.1 These include deposits amounting to Rs 11.661 million and Rs 10.145 million (2011: 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 on which interest is received @ 5% per annum.

6. LONG-TERM INVESTMENT

	Note	2012	2011
Held to maturity			
Pakistan Investment Bond - 5 years	6.1	**577,710**	-

6.1 These represents investments in Pakistan Investment Bonds (PIB's) carrying profit at a rate of 11.5% (effective yeild of 12.4% to 12.96%) per annum with maturity in August 2016. The profit payments are made semi annually. Fair value of the PIB's as at 30 June 2012 is Rs 572.658 million. The fair value has been determined using PKRV sheet.

Notes to the Financial Statements

	Note	2012	2011
		(Rupees in '000)	
7. STORES, SPARES AND LOOSE TOOLS			
Stores		**8,658**	6,527
Spares - in hand		**105,561**	93,938
Spares in transit		**13,942**	-
Loose tools		**247**	179
		128,408	100,644
Provision for slow moving and obsolete stores and spares		**(14,341)**	(14,341)
		114,067	86,303
8. STOCK-IN-TRADE			
Raw materials - in hand		**159,224**	190,977
Raw materials - in transit		**12,619**	1,260
		171,843	192,237
Less: Raw materials written off		**(8,629)**	-
		163,214	192,237
Work-in-process		**11,163**	7,245
Semi-finished goods		**193,327**	104,205
		204,490	111,450
Finished goods		**65,444**	61,076
		433,148	364,763
Provision for slow moving inventories		**(30,989)**	(7,499)
		402,159	357,264
9. TRADE DEBTS - considered good			
Unsecured			
Due from Pakistan Security Printing Corporation (Private) Limited - related party	9.1		
- considered good		**327,903**	326,355
- considered doubtful		**9,498**	4,749
		337,401	331,104
- provision for doubtful debts		**(9,498)**	(4,749)
		327,903	326,355

9.1 The maximum amount due from the related party, Pakistan Security Printing Corporation (Private) Limited, at the end of any month during the year was Rs 475.417 million (2011: Rs 326.355 million).

Notes to the Financial Statements

	Note	2012	2011
		(Rupees in '000)	
10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advance to suppliers - unsecured		**7,453**	8,507
Receivable from gratuity fund	24.1.2	**1,642**	-
Short-term deposits		**3,962**	67
Short-term prepayments		**616**	384
Loan to employees	10.1	**504**	-
Others		**1,360**	270
		15,537	9,228

10.1 This represents loan provided to two employees carrying interest rate at 12% per annum. Having maturity on 30 June 2013.

	Note	2012	2011
11. ACCRUED MARK-UP			
Special saving certificates		**-**	335,826
Pakistan investment bond		**25,307**	-
Term finance certificates		**5,127**	2,828
Security deposits		**373**	373
Term deposit receipts		**3**	4
Deposit and savings accounts		**2**	2
		30,812	339,033

	Note	2012	2011
12. INVESTMENTS			
Available for sale			
Term finance certificates			
B.R.R. Guardian Modaraba			
4,400 (2011: 4,400) units of Rs 5,000 each	12.1	**15,744**	16,500
Held to maturity			
Treasury Bills	12.2	**1,120,031**	442,623
Loans and receivables			
Term deposit receipts	12.3	**60**	55
Special Saving Certificates		**-**	950,000
		60	950,055
		1,135,835	1,409,178

12.1 The term finance certificates originally had a term of 5 years and carried profit at the rate of six months KIBOR plus 1.3% (effective annual rate of 15.65%) payable semi annually with maturity on 7 July 2014. On 7 January 2011 the borrower defaulted in the payment of interest and entered into a restructuring agreement with the TFC holders. As per the revised terms, the principal amount will be redeemed in varying monthly principal instalments commencing from 7 August 2011 and ending on 7 December 2016. The certifcates now carry markup at the rate of one month KIBOR (effective annual rate of 12.09%) payable on monthly basis alongwith the accrued profit before the restructuring. The fair value of the above investment has been valued using rate notified by Mutual Fund Association of Pakistan.

Notes to the Financial Statements

12.2 These represent investments in seven treasury bills of six months and one year carrying profit rate ranging from 11.76% to 11.94% (2011: 13.44% to 13.55%) per annum with maturity ranging from August 2012 to January 2013 . Fair value of the treasury bills as at 30 June 2012 is Rs 1,119.376 million (2011: Rs 455.064 million). The fair value has been determined using PKRV sheet.

12.3 These represent term deposit receipts with Faysal Bank Limited maturing on December 2012. Return on these investments is 10% per annum (2011: 10.75% per annum).

	Note	2012	2011
		(Rupees in '000)	
13. CASH AND BANK BALANCES			
Cash in hand		**140**	100
With banks in:			
- Current accounts		**345**	170
- Saving accounts	13.1	**7,715**	28,172
- Dividend accounts		**8,297**	9,150
		16,357	37,492
		16,497	37,592

13.1 Saving accounts carry profit ranging from 5% to 10% per annum (2011: 5% to 10% per annum).

	Note	2012	2011
14. TRADE AND OTHER PAYABLES			
Creditors		**52,538**	41,341
Payable against purchase of operating fixed assets		**56,661**	52,479
Salaries, wages and benefits payable		**47,513**	41,622
Provision for employees compensated absences	14.1	**25,950**	23,638
Sales tax payable		**40,988**	33,089
Special excise duty payable		**-**	5,784
Witholding tax payable		**4,159**	1,814
Provision for fire tax	14.2	**37,023**	37,023
Unclaimed dividend		**45,494**	27,650
Workers' welfare fund	14.3	**18,626**	22,915
Workers' profit participation fund	14.4	**2,500**	(376)
Advances from customers		**2,500**	15,706
Utilities		**12,195**	9,237
Payable to provident fund		**-**	3,248
Payable to gratuity fund		**-**	834
Deposits repayable on demand	14.5	**3,256**	3,102
Others		**8,649**	7,876
		358,051	326,982
14.1 Employees' compensated absences			
Balance at begning of the year		**23,638**	21,010
Cost for the year		**2,312**	2,628
Balance at end of the year		**25,950**	23,638

Notes to the Financial Statements

	Note	2012	2011
		(Rupees in '000)	
14.2 Provision for fire tax			
Balance as at 1 July		**37,023**	34,704
Add: Charge for the year		**-**	2,319
		37,023	37,023

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

	Note	2012	2011
14.3 Workers' welfare fund			
Balance as at 1 July		**22,915**	25,055
Provision for the year		**3,976**	8,265
Reversal of prior year charge		**(4,470)**	-
Payments / adjustments during the year		**(3,795)**	(10,405)
		18,626	22,915
14.4 Workers' profit participation fund			
Balance as at 1 July		**(376)**	2,557
Add:			
Allocation for the year	26	**28,877**	22,744
Interest on funds utilised in the Company's business	27	**-**	106
		28,877	22,850
		28,501	25,407
Less: Paid during the year		**(26,001)**	(25,783)
		2,500	(376)

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

15. SHORT TERM FINANCE AND OTHER FACILITIES

15.1 Running finance

At 30 June 2012, the Company has an unavailed running finance facility from National Bank of Pakistan and Bank Al Habib Limited of Pakistan amounting to Rs 100 million each (2011: Rs 100 million facility from National Bank of Pakistan).

The arrangements are secured by way of hypothecation on stores, spares, loose tools, stock-in-trade and book debts of the Company and are available till 31 December 2012. The outstanding balance against these facilities will be subject to mark-up at the rate prevailing on the last day of each quarter of Karachi Inter Bank Offered Rate (KIBOR) plus 1.25 basis points for National Bank of Pakistan (2011: one month's average KIBOR plus 0.75 basis points) and three months KIBOR of preceding 6 working days of each calander quarter on the basis of arthmetic mean for Bank Al Habib Limited.

Notes to the Financial Statements

15.2 Import letter of credit (sight / usance)

As at 30 June 2012, the Company has facilities from the National Bank of Pakistan and Bank AL Habib Limited relating to import letters of credit (sight / usance) amounting to Rs 100 million each (2011: Rs 100 million facility from National Bank of Pakistan and Bank Al Habib Limited).

15.3 Letter of Guarantee Facility

As at 30 June 2012, the Company has facilities from National Bank of Pakistan and Bank Al Habib Limited relating to letters of guarantee as follows:

	2012	2011
	(Rupees in '000)	
Total facility available	**120,000**	200,000
Utilized facility	**20,480**	14,040

16. LONG TERM LOAN - secured

	2012	2011
Balance as at 1 July	**404,939**	-
Long term loan obtained during the year	**348,795**	445,165
Repayments during the year	**(121,176)**	(40,226)
	632,558	404,939
Current maturity shown under current liabilities	**(158,792)**	(89,033)
	473,766	315,906

The Company has acquired facility amounting to Rs 900 million from Bank Al Habib Limited for purchase & installation of plant and machinery for balancing, modernisation and replacement of existing machinery out of which the company has availed facility of Rs 793.96 million. The entire financing is to be availed by 31 December 2012 and carries mark-up at three months Karachi Inter Bank Offer Rate (KIBOR) (effective annual rate of 12.47%).

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

17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2012			2011		
	Minimum lease payments	**Finance charge**	**Present value of minimum lease payments**	Minimum lease payments	Finance charge	Present value of minimum lease payments
	(Rupees in '000)					
Not later than one year	**4,675**	**1,288**	**3,387**	4,783	1,715	3,068
Later than one year and not later than five years	**9,565**	**1,219**	**8,346**	13,580	2,272	11,308
	14,240	**2,507**	**11,733**	18,363	3,987	14,376

Notes to the Financial Statements

The Company has entered into Ijarah arrangement with a financial institution in respect of vehicles. 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". The liability under the agreements is payable by January 2015 in monthly installments and is subject to annual finance charge rates ranging from 12.07% to 12.22% (2011: 13.67% to 13.82%).

	Note	2012	2011
		(Rupees in '000)	
18. DEFERRED TAXATION - net			
Deferred tax liability arising due to accelerated tax depreciation		**381,155**	248,929
Deferred tax asset arising in respect of:			
Provision for slow moving inventory, doubtful debts and fire tax		**(30,689)**	(20,148)
Leased assets		**(612)**	(446)
		(31,301)	(20,594)
		349,854	228,335
19. CONTINGENCIES AND COMMITMENTS			
19.1 Contingencies			
Income tax	19.2	**10,221**	10,221
Claims against the Company not acknowledged as debt	19.3	**1,120**	1,120
		11,341	11,341

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

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

19.3 This represents claims filed by certain ex employees against the company.

Notes to the Financial Statements

	2012	2011
	(Rupees in '000)	
19.4 Commitments		
Capital expenditure contracted for but not incurred	**4,877**	352,528
Commitments against letters of credit	**30,163**	11,681
	35,040	364,209

20. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2012	2011		2012	2011
(Number of shares)			(Rupees in '000)	
1,250,000	1,250,000	Ordinary shares fully paid in cash	**12,500**	12,500
39,899,989	39,899,989	Ordinary shares issued as fully paid bonus shares	**398,999**	398,999
41,149,989	41,149,989		**411,499**	411,499

20.1 The following shares were held by the related parties of the Company as at 30 June 2012:

	2012		2011	
Name of related party	**Shares held**	**Percentage**	Shares held	Percentage
Pakistan Security Printing Corporation (Private) Limited	**16,473,430**	**40.03%**	16,473,430	40.03%
Summer Holding A.S. (Turkey)	**4,114,976**	**10.00%**	4,114,976	10.00%
Industrial Development & Renovation Organisation of Iran, Tehran (Iran)	**4,114,976**	**10.00%**	4,114,976	10.00%

	2012	2011
	(Rupees in '000)	
21. SALES - net		
Banknote paper	**1,410,935**	1,410,001
Non-banknote paper:		
- Commercial paper	**40,924**	8,449
- Others	**371,829**	125,839
	412,753	134,288
	1,823,688	1,544,289
Less: Sales tax / special excise duty	**(252,776)**	(241,270)
	1,570,912	1,303,019

Notes to the Financial Statements

	Note	2012	2011
		(Rupees in '000)	
22. COST OF SALES			
Opening stock of raw materials		**192,237**	147,982
Add: Purchases - net		**547,281**	495,166
		739,518	643,148
Less: Closing stock of raw materials	8	**(171,843)**	(192,237)
Raw materials consumed		**567,675**	450,911
Salaries, wages and benefits	22.1	**219,922**	182,960
Technical assistance fee		**11,950**	11,602
Stores, spares and loose tools consumed		**54,788**	49,610
Utilities		**123,237**	82,261
Repairs and maintenance		**22,525**	22,036
Insurance		**3,776**	2,882
Rent, rates and taxes		**921**	831
Depreciation	4.2	**145,823**	116,807
Other expenses		**3,847**	218
		1,154,464	920,118
Opening stock of work-in-process and semi-finished goods		**111,450**	55,722
Less: Closing stock of work-in-process and semi-finished goods		**(204,490)**	(111,450)
Cost of goods manufactured		**1,061,424**	864,390
Opening stock of finished goods		**61,076**	155,705
Less: Closing stock of finished goods		**(65,444)**	(61,076)
		1,057,056	959,019

22.1 Employee retirement benefits

Salaries, wages and benefits include Rs 12.081 million (2011: Rs 15.99 million) in respect of employee retirement benefits.

	Note	2012	2011
23. ADMINISTRATION AND GENERAL EXPENSES			
Salaries, wages and benefits	23.1	**101,518**	87,489
Rent, rates and taxes		**247**	594
Travelling expenses including those of directors Rs 0.853 million (2011: Rs 2.523 million)		**6,247**	9,875
Printing and stationery		**2,466**	1,593
Repairs and maintenance		**5,558**	4,181
Packing and forwarding		**788**	400
Advertisement		**1,739**	1,876
Training		**2,766**	2,009
Software expenses		**968**	383
Communication		**2,008**	2,301
Entertainment		**1,855**	3,288
Legal and professional		**3,602**	3,309
Depreciation	4.2	**5,858**	5,281
Provision for doubtful debts		**4,749**	4,749
Others		**2,812**	1,484
		143,181	128,812

23.1 Salaries, wages and benefits include Rs 5.951 million (2011: Rs 10.646 million) in respect of employee retirement benefits.

Notes to the Financial Statements

24. EMPLOYEE RETIREMENT BENEFITS

24.1 Gratuity

The Company operates an approved gratuity fund for its eligible employees. The actuarial valuation is carried out on an annual basis and the latest valuation was carried out at 30 June 2012. The projected unit credit method, using the following significant assumptions has been used for the actuarial valuation.

	Note	2012	2011
24.1.1 Actuarial assumptions			
a) Discount rate		**12.5%**	14%
b) Expected rate of increase in salary		**12.5%**	14%
c) Expected return on plan assets		**12.5%**	14%
		(Rupees in '000)	
24.1.2 Amounts recognised in the balance sheet are as follows:			
Present value of defined benefit obligations	24.1.3	**263,266**	243,342
Fair value of plan assets	24.1.4	**(254,221)**	(215,605)
		9,045	27,737
Unrecognised actuarial loss		**(10,687)**	(26,903)
(Asset) / liability on balance sheet		**(1,642)**	834
24.1.3 Movement in present value of defined benefit obligations			
Opening present value of obligation		**243,342**	243,342
Current service cost		**6,658**	5,665
Interest cost		**10,945**	13,026
Benefits paid		**(20,110)**	(33,242)
Actuarial gain on obligation		**(7,809)**	(9,676)
Income distributed among the members		**30,240**	31,212
Closing present value of obligation		**263,266**	243,342
24.1.4 Movement in the fair value of plan assets			
Opening fair value of plan assets		**215,605**	230,219
Expected return on plan assets		**30,240**	31,208
Actuarial gain / (loss) on plan assets		**7,979**	(18,768)
Benefits paid		**(20,110)**	(33,242)
Contribution by Company		**20,507**	6,188
Closing fair value of plan assets		**254,221**	215,605
24.1.5 Expense recognised in the profit and loss account			
Current service cost		**6,658**	5,665
Interest cost		**10,945**	13,026
Past service cost- vested		**-**	-
Acturial loss recognized		**429**	
Cost for the year		**18,032**	18,691

Notes to the Financial Statements

24.1.6 Plan assets comprised of following

	2012	2011
	(Rupees in '000)	
Defence Saving Certificates (DSCs)	**11%**	13%
Regular Income Certificates (RICs)	**38%**	45%
Special Saving Certificates (SSCs)	**39%**	39%
Bank account and short-term deposits	**7%**	2%
Treasury Bills (T Bills)	**4%**	0%
Others (FIBs, PIBs, TFCs)	**1%**	1%
	100%	100%

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

	2012	2011	2010	2009	2008
	(Rupees in '000)				
Present value of defined benefit obligation	**263,266**	243,342	236,357	214,568	199,339
Fair value of plan assets	**254,221**	215,605	230,219	216,679	204,718
Deficit / (surplus)	**9,045**	27,737	6,138	(2,111)	(5,379)

24.1.8 5 years data on experience adjustments are as follows:

	2012	2011	2010	2009	2008
(Gain) / loss on obligation	**(7,809)**	(9,676)	(2,641)	7,710	-
Gain / (loss) on plan assets	**7,979**	(18,768)	(1,083)	(8,511)	-

24.1.9 Based on actuarial advice the Company intends to charge an amount of approximately Rs 22.099 million in respect of gratuity fund in the financial statements for the year ending 30 June 2013.

24.1.10 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 2012.

24.1.11 The information provided in notes 24.1.1 to 24.1.10 has been obtained from the valuation carried out by independent actuaries as at 30 June 2012

24.2 Defined contribution plan

An amount of Rs 10.879 million (2011: Rs 7.950 million) has been charged during the year in respect of contributory provident fund maintained by the Company.

25. OTHER OPERATING INCOME

	Note	2012	2011
		(Rupees in '000)	
Income from financial assets			
Amortization of discount on Pakistan Investment Bond		**1,085**	-
Mark-up on:			
- Special saving certificates		**128,491**	170,474
- Pakistan investment bond		**18,992**	-
- Treasury bills		**65,877**	55,985
- Bank deposits and savings account		**5,683**	7,741
- Term finance certificates		**2,712**	3,015
- Certificate of investments		**-**	1,712
- Security deposits		**748**	748
- Loan to employees		**40**	-
- Term deposit receipts		**6**	6
		223,634	239,681
Income from non-financial assets			
Gain on sale of property, plant and equipment		**382**	10,679
Sale of waste materials		**3,903**	3,873
Other income	25.1	**24,656**	3,388
		28,941	17,940
		252,575	257,621

25.1 This represents claims received from a customer and certain suppliers.

Notes to the Financial Statements

	Note	2012	2011
		(Rupees in '000)	
26. OTHER OPERATING CHARGES			
Workers' profit participation fund	14.4	**28,877**	22,744
Workers' welfare fund	14.3	**(494)**	8,265
Raw material written off		**8,629**	-
Provision for slow moving inventories		**23,490**	5,857
Donation	26.1	**5,854**	4,103
Auditors' remuneration	26.2	**907**	846
Exchange loss		**2,554**	359
		69,817	42,174

26.1 Donation

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

26.2 Auditors' remuneration

	2012	2011
Audit fee	**550**	550
Audit of funds, special certification and other services	**225**	171
Out of pocket expenses	**132**	125
	907	846

27. FINANCE COSTS

	2012	2011
Interest / mark-up on:		
- long-term finance	**38,931**	2,232
- short-term finance	**1,857**	1,441
- finance leases	**1,883**	2,135
- workers' profit participation fund	**-**	106
Bank charges	**540**	457
	43,211	6,371

28. TAXATION - net

	2012	2011
Current - for the year	**12,127**	25,347
Current - for prior year	**(1,525)**	(405)
	10,602	24,942
Deferred	**121,519**	81,510
	132,121	106,452

28.1 Reconciliation between tax expense and accounting profit

	2012	2011
Accounting profit before taxation	**510,222**	421,528
Tax on accounting profit @ 35% (2011: 35%)	**178,578**	147,535
Surcharge under section 4A of the Ordinance	**-**	1,077
Rebates under section 65A and 65B of the Ordinance	**(54,974)**	(45,046)
Tax effect of permenant differences	**5,894**	-
Expenses not admissible	**1,658**	1,365
Tax for prior year	**(1,525)**	(405)
Others	**2,491**	1,926
	132,121	106,452

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

The Company had previously exercised option of being assessed under the Final Tax Regime (FTR) in respect of goods manufactured by it, which was valid for tax years 2005 to 2007. However, due to the amendments made by the Finance Act 2005 and insertion of clause (41A) of Part IV of the second schedule to the Ordinance, the facility of assessment under FTR available for tax years 2006 and 2007 has been withdrawn. The Company has filed a constitutional petition with the High Court challenging the withdrawal of the facility upto and including tax year 2007. The High Court has admitted the petition for hearing. Based on legal advice, the Company has filed returns of income for tax years 2006 and 2007 under FTR. The liability for the aforesaid tax years has however been recorded in these financial statements under the Normal Tax Regime.

29. EARNINGS PER SHARE

	2012	2011
	(Rupees in '000)	
Profit after taxation	**378,101**	315,076
	(Number of shares)	
Weighted average number of ordinary shares	**41,149,989**	41,149,989
	(Rupees)	
Earnings per share - basic and diluted	**9.19**	7.66

29.1 There were no convertible dilutive potential ordinary shares in issue as at 30 June 2012 and 30 June 2011.

30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2012			2011		
	Chief Executive	**Directors**	**Executives**	Chief Executive	Directors	Executives
	(Rupees in '000)					
Directors' fee	**-**	**1,570**	**-**	-	864	-
Managerial remuneration (including bonus)	**-**	**-**	**27,090**	-	-	22,511
Housing, utilities and other perquisites	**2,572**	**-**	**17,271**	1,374	-	14,228
Retirement benefits	**-**	**-**	**2,582**	-	-	2,074
Medical	**-**	**-**	**2,044**	-	-	1,647
Total	**2,572**	**1,570**	**48,987**	1,374	864	40,487
Number of persons	**1**	**8**	**25**	1	8	23

Security Papers LIMITED

Notes to the Financial Statements

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

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

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

30.4 Housing, utilities and other perquisites include an amount of Rs 1 million (net of tax) as an award in recognition of her excellent performance and valuable services to the Company.

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

31. TRANSACTIONS WITH RELATED PARTIES

	2012			
	Key Management Personnel	**Associated under-takings**	**Others**	**Total**
		--------- (Rupees in '000) ---------		
Transactions during the year:				
Sale of goods to Pakistan Security Printing Corporation	**-**	**1,538,122**	**-**	**1,538,122**
(Private) Limited - net				**-**
Purchase of goods from Pakistan Cables Limited	**-**	**-**	**606**	**606**
Remuneration to key management personnel	**53,129**	**-**	**-**	**53,129**
Balance outstanding at the year end				
Receivable from Pakistan Security Printing Corporation (Private) Limited - net	**-**	**331,169**	**-**	**331,169**
Advance from Pakistan Cables Limited	**-**	**-**	**19**	**19**

	2011			
	Key Management Personnel	Associated under-takings	Others	Total
		--------- (Rupees in '000) ---------		
Transactions during the year:				
Sale of goods to Pakistan Security Printing Corporation (Private) Limited - net	-	1,295,933	-	1,295,933
Purchase of goods from Pakistan Cables Limited	-	-	1530	1,530
Remuneration to key management personnel	42,725	-	-	42,725
Balance outstanding at the year end				
Receivable from Pakistan Security Printing Corporation (Private) Limited - net	-	323,134	-	323,134
Advance from Pakistan Cables Limited	-	-	68	68

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.

Notes to the Financial Statements

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

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

There are no transactions with key management personnel other than under their terms of employments / entitlements. Balances outstanding from related parties are interest free, unsecured and repayable on demand. Particulars of transactions with workers' profit participation fund and employee retirement benefit and contribution funds are disclosed in notes 14.4 and 26 to the financial statements.

32. PRODUCTION CAPACITY

	2012	2011
	(Tons)	
Total Installed Capacity - on three shift basis	**2,000**	2,000
Available installed capacity -based on available three shift working days	**1,949**	1,888
Actual production	**1,661**	1,402

The short capacity utilization during the year was due to scheduled plant (PM-2) shut down of 18 days (2011: 52 days) for maintenance purpose.

33. CASH GENERATED FROM OPERATIONS

	Note	**2012**	2011
		(Rupees in '000)	
Profit before taxation		**510,222**	421,528
Adjustments for:			
Depreciation		**151,681**	122,088
Provision for slow moving inventories		**23,490**	5,857
Provision for doubtful debts		**4,749**	4,749
Gain on disposal of property, plant and equipment		**(382)**	(10,679)
Impairment loss on available for sale investments		**-**	2,736
Amortization of discount		**(1,085)**	-
Mark-up on investments		**(216,118)**	(238,927)
Mark-up on bank deposits and saving accounts		**(5,683)**	(748)
Mark-up on security deposits		**(748)**	(6)
Finance costs		**43,211**	6,371
Working capital changes	33.1	**(90,781)**	(6,317)
		(96,415)	(114,876)
		413,808	306,652

Notes to the Financial Statements

33.1 Working capital changes

	2012	2011
	(Rupees in '000)	
(Increase) / decrease in current assets		
Stores, spares and loose tools	**(27,764)**	9,402
Stock-in-trade	**(68,385)**	(5,354)
Trade debts	**(6,297)**	(128,084)
Advances, deposits, prepayments and other receivables	**(6,309)**	13,465
	(108,755)	(110,571)
Increase / (decrease) in current liabilities		
Trade and other payables	**13,225**	104,254
	(95,530)	(6,317)

34. FINANCIAL INSTRUMENTS

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

- Credit risk
- Liquidity risk
- Market risk

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

34.1 Credit risk

Credit risk represents the financial loss that would be recognised at the reporting date if counterparties fail completely to perform as contracted. Out of the total financial assets of Rs 2,131.399 million (2011: Rs 2,138.438 million), the financial assets which are subject to credit risk amounted to Rs 396.702 million (2011: Rs 719.772 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 15.8% (2011: 15.3%) 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:

	2012	2011
	(Rupees in '000)	
Investments	**15,804**	16,555
Trade debts	**327,903**	326,355
Deposits, accrued mark up and other receivables	**36,638**	339,370
Bank balances	**16,357**	37,492
	396,702	719,772

Investments comprise of Term Finance Certificates, Certificates of Investments and Term Deposit Receipts. The analysis below summarises the credit quality of the Company's investments. Besides these investments, the Company also has investments in Special Saving Certificates and Treasury Bills as disclosed in note 12 to the financial statements.

Notes to the Financial Statements

	2012	2011
Term Finance Certificates	* D	D
Certificates of Investments	-	AA / A1+
Term Deposit Receipts	A-1 / A-1+	AA+ / A-1+

* Refer note 12.1

All the counterparties are of domestic origin. All the trade debts of the Company relate to PSPC the aging of which is as under:

	2012		2011	
	Gross	Impairment	Gross	Impairment
	--------- (Rupees in '000) ---------			
Not past due	299,196	-	296,300	-
31-90	11,342	-	19,935	-
91-180	6,612	-	5,371	-
181-360	8,848	-	7,169	3,585
360 and above	11,403	9,498	2,329	1,165
	337,401	9,498	331,104	4,749

Based on the past experience the management believes that no impairment allowance is necessary in respect of unprovided past due amounts as some invoices have been recovered subsequent to the year end and for others there are reasonable grounds to believe that the amounts will be recovered in short course of time.

34.2 Liquidity risk

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

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

	2012					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	---------------------------- (Rupees in '000) ----------------------------					
Financial Liabilities						
Long term loans	632,558	(810,277)	(119,041)	(114,147)	(213,078)	(364,011)
Trade and other payables	289,279	(289,279)	(289,279)	-	-	-
Liabilities against asset subject to finance lease	11,733	(14,240)	(2,344)	(2,332)	(4,240)	(5,324)
Accrued mark up	8,252	(8,252)	(8,252)	-	-	-
	941,822	(1,122,048)	(418,916)	(116,479)	(217,318)	(369,335)

Notes to the Financial Statements

	2011					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	(Rupees in '000)					
Financial Liabilities						
Long term loans	404,939	(517,916)	(64,401)	(63,762)	(124,565)	(265,188)
Trade and other payables	243,968	(243,968)	(243,968)	-	-	-
Liabilities against asset subject to finance lease	14,376	(18,275)	(2,392)	(2,392)	(4,574)	(8,917)
Accrued mark up	6,077	(6,077)	(6,077)	-	-	-
	669,360	(786,236)	(316,838)	(66,154)	(129,139)	(274,105)

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 SPTEC GmbH in Euros and import of raw materials and fixed assets being denominated in US dollars and Euros.

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

	2012			
	USD	**GBP**	**Euro**	**Total**
	(Rupees in '000)			
Payable against purchase of operating fixed assets	**-**	**-**	**308,500**	**308,500**
Technical fee payable	**-**	**-**	**7,492**	**7,492**
Gross balance sheet exposure	**-**	**-**	**315,992**	**315,992**
Outstanding letters of credit	**7,034**	**13,231**	**9,898**	**30,163**
Net exposure	**7,034**	**13,231**	**325,890**	**346,155**

	2011			
	USD	GBP	Euro	Total
	(Rupees in '000)			
Advances from customers	-	-	52,479	52,479
Technical fee payable	-	-	4,078	4,078
Gross balance sheet exposure	-	-	56,557	56,557
Outstanding letters of credit	4,475	-	-	4,475
Net exposure	4,475	-	56,557	61,032

The following significant exchange rates have been applied:	**Average rate**		**Reporting date rate**	
	2012	2011	**2012**	2011
USD to PKR	**89.64**	85.73	**94.20**	86.05
GBP to PKR	**142.10**	136.63	**147.07**	138.62
Euro to PKR	**120.15**	117.72	**118.50**	124.89

Sensitivity analysis

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

	2012	2011
	(Rupees in '000)	
Effect on profit		
Increase / decrease	**20,539**	3,676

34.3.2 Interest rate risk

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

	Note	2012	2011
		Carrying amount (Rupees in '000)	
Financial assets			
Fixed rate instruments			
Pakistan investment bond	6	**577,710**	-
Special Saving Certificates	12	**-**	950,000
Treasury Bills	12	**1,120,031**	442,623
Term deposit receipts	12	**60**	55
		1,697,801	1,392,678
Variable rate instruments			
Term finance certificates	12	**15,744**	16,500
Financial liabilities			
Variable rate instruments			
Long term loan	16	**632,558**	404,939
Liabilities against asset subject to finance lease	17	**11,733**	14,376
		644,291	419,315

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 2012.

Notes to the Financial Statements

	Effect on profit and loss	
	100 bp increase	100 bp decrease
	(Rupees in '000)	
As at 30 June 2012		
Cash flow sensitivity-Variable rate instruments	**1,611**	(1,611)
As at 30 June 2011		
Cash flow sensitivity-Variable rate instruments	**1,048**	(1,048)

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 term finance certificates of B.R.R. Guardian Modaraba. To manage its price risk arising from such investments, the Company regularly monitors them through its investment committee.

A 10% increase / decrease in MUFAP rates for B.R.R. Guardian Modaraba Term Finance Certificates at year end would have increased / decreased the Company's profit before tax and the value of investments as follows.

	2012	2011
	(Rupees in '000)	
B.R.R. Guardian Modaraba Term Finance Certificates	**1,574**	1,650

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

34.4 Fair value of financial instruments

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

Fair value hierarchy

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

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

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

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

30 June 2012	Level 1	Level 2	Level 3
		(Rupees in '000)	
Available for sale investments			
B.R.R. Guardian Modaraba Term Finance Certificates	**-**	**-**	**15,744**
30 June 2011			
Available for sale investments			
B.R.R. Guardian Modaraba Term Finance Certificates	-	-	16,500

Notes to the Financial Statements

35. OPERATING SEGMENTS

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

35.1 Revenue from bank notes represents 77.34% (2011 : 91.35%) of the total revenue of the Company.

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

35.3 All non-current assets of the Company at 30 June 2012 are located in Pakistan.

35.4 One customer of the Company accounts for 97.89% (2011: 99.47%) of total revenue of the Company for the year.

36. CAPITAL RISK MANAGEMENT

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

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

37. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on 31 July 2012 has proposed a cash dividend in respect of the year ended 30 June 2012 of Rs 6/- per share (2011: cash dividend Rs 5 per share). In addition, the directors have also announced appropriation of Rs 131.20 million (2011 : Rs 109 million) to revenue reserves. These appropriations will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended 30 June 2012 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 31 July 2012 by the Board of Directors of the Company.

Naiyer Muzafar Husain	**Jamal Nasim**
Chief Executive	Director

Pattern of Shareholding

As At June 30, 2012

Size of Holding Rs 10 Shares		Number of Shareholders	Number of Shares
1	100	382	9,175
101	500	338	95,076
501	1,000	235	185,080
1,001	5,000	384	976,755
5,001	10,000	100	756,269
10,001	15,000	33	405,306
15,001	20,000	16	283,735
20,001	25,000	10	221,539
25,001	30,000	8	222,517
30,001	35,000	5	161,843
35,001	40,000	3	112,883
40,001	45,000	1	41,184
45,001	50,000	7	336,697
55,001	60,000	2	117,864
75,001	80,000	1	77,686
80,001	85,000	1	81,672
95,001	100,000	2	198,695
110,001	115,000	1	115,000
120,001	125,000	1	125,000
135,001	140,000	1	139,464
170,001	175,000	1	174,662
225,001	230,000	1	225,388
265,001	270,000	1	269,473
330,001	335,000	1	330,333
390,001	395,000	1	392,611
530,001	535,000	1	533,823
640,001	645,000	1	644,924
935,001	940,000	1	935,011
1,830,001	1,835,000	1	1,834,812
2,950,001	2,955,000	1	2,954,362
3,485,001	3,490,000	1	3,487,768
4,110,001	4,115,000	2	8,229,952
16,470,001	16,475,000	1	16,473,430
	TOTAL	**1,545**	**41,149,989**

Pattern of Shareholding

As At June 30, 2012

Categories of Shareholders	Number	Shares held	Percentage
i. Associated Companies, Undertakings and Related Parties	**3**	**24,703,382**	**60.03**
INDUSTRIAL DEVELOPMENT & RENOVATION ORGANIZATION OF IRAN	1	4,114,976	10.00
PAKISTAN SECURITY PRINTING CORPORATION (PVT.) LIMITED	1	16,473,430	40.03
SUMER HOLDING A.S.	1	4,114,976	10.00
ii. Mutual Funds	**3**	**1,881,572**	**4.57**
NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT NI(U)T FUND	1	1,834,812	4.46
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	1,000	0.00
TRUSTEE - PAKISTAN PENSION FUND - EQUITY SUB FUND	1	45,760	0.11
iii. Directors and their Spouse(s) and minor children	**3**	**21,614**	**0.05**
SHEIKH MOHAMMAD AIJAZ AKHTAR	2	1,252	0.00
MR. MUSTAPHA A.CHINOY	1	20,362	0.05
iv. Executives	**-**	**-**	**-**
v. Public Sector Companies and Corporations	**5**	**4,936,144**	**12.00**
STATE LIFE INSURANCE CORPORATION OF PAKISTAN	2	3,487,924	8.48
PAKISTAN REINSURANCE COMPANY LIMITED	1	644,924	1.57
DEPUTY ADMINISTRATOR ABANDONED PROPERTIES ORGANIZATION	1	269,473	0.65
NATIONAL INVESTMENT TRUST LIMITED - ADMINISTRATION FUND	1	533,823	1.30
vi. Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	**16**	**4,629,416**	**11.25**
HABIB BANK LIMITED	2	1,380	0.00
UNITED BANK LIMITED	1	224	0.00
MERCANTILE COOPERATIVE FINANCE	1	24,672	0.06
MUSLIM COMMERCIAL BANK LIMITED	1	108	0.00
E F U GENERAL INSURANCE LIMITED	1	525	0.00
INNOVATIVE INVESTMENT BANK LIMITED	1	1,000	0.00
PREMIER INSURANCE LIMITED	1	10,611	0.03
BANK ALFALAH LIMITED	1	26,000	0.06
THE PUNJAB PROVINCIAL COOPERATIVE BANK	1	2,954,362	7.18
NATIONAL BANK OF PAKISTAN	2	1,109,673	2.70
SAUDI PAK INDUSTRIAL & AGRICULTURAL INVESTMENT CO. LTD. - CAD	1	50,000	0.12
THE BANK OF PUNJAB, TREASURY DIVISION	1	392,611	0.95
B.R.R. GUARDIAN MODARABA	1	11,000	0.03
NATIONAL INVESTMENT TRUST LIMITED	1	47,250	0.11
General Public	**1476**	**4,154,386**	**10.10**
a. Local	1476	4,154,386	10.10
b. Foreign	-	-	-

Pattern of Shareholding

As At June 30, 2012

Categories of Shareholders	Number	Shares held	Percentage
Others	**39**	**823,475**	**2.00**
ADMINISTRATOR ABANDONED PROPERTIES	1	10,197	0.02
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
ASIAN SECURITIES LIMITED	1	22,684	0.06
UHF CONSULTING (PRIVATE) LIMITED	1	290	0.00
MOOSA,NOOR MOHAMMAD,SHAHZADA & CO. (PVT.) LIMITED	1	5,000	0.01
PRUDENTIAL SECURITIES LIMITED	1	38	0.00
MOOSANI SECURITIES (PVT.) LIMITED	1	10,822	0.03
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
MILLWALA SONS (PRIVATE) LIMITED	1	45	0.00
MOHAMAD AMIN BROS (PVT.) LIMITED	1	6,000	0.01
PAKISTAN MEMON EDUCATIONAL & WELFARE SOCIETY	1	5,000	0.01
CRESCENT STEEL AND ALLIED PRODUCTS LIMITED	1	32,924	0.08
TRUSTEES SAEEDA AMIN WAKF	1	46,500	0.11
TRUSTEES MOHAMAD AMIN WAKF ESTATE	1	81,672	0.20
TRUSTEES OF SANA INDUSTRIES LIMITED EMPLOYEES GRATUITY FUND	1	36,890	0.09
TRUSTEES AL-BADER WELFARE TRUST	1	41,184	0.10
S.H. BUKHARI SECURITIES (PVT.) LIMITED	1	645	0.00
CRESCENT COTTON MILLS LIMITED	1	364	0.00
TRUSTEES D.G.KHAN CEMENT CO. LTD. EMPLOYEES PROVIDEND FUND	1	115,000	0.28
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
ACE SECURITIES (PVT.) LIMITED	1	2,652	0.01
CAPITAL VISION SECURITIES (PVT.) LIMITED	1	9,162	0.02
MULTILINE SECURITIES (PVT.) LIMITED	1	7,500	0.02
INVEST AND FINANCE SECURITIES LIMITED	1	125,000	0.30
LIVE SECURITIES LIMITED	1	2,354	0.01
CLIKTRADE LIMITED	1	1	0.00
DARSON SECURITIES (PVT.) LIMITED	1	1	0.00
MUHAMMAD SALIM KASMANI SECURITIES (PVT.) LIMITED	1	2,000	0.00
MUHAMMAD BASHIR KASMANI SECURITIES (PVT.) LIMITED	1	2,000	0.00
M.R. SECURITIES (SMC-PVT.) LIMITED	1	20,000	0.05
PEARL CAPITAL MANAGEMENT (PRIVATE) LIMITED	1	341	0.00
SEVEN STAR SECURITIES (PVT.) LIMITED	1	100	0.00
Total	**1,545**	**41,149,989**	**100.00**

vii. Shareholders Holding five percent or more			
Voting Rights in the Listed Company	**5**	**31,145,668**	**75.69**
PAKISTAN SECURITY PRINTING CORPORATION (PVT.) LIMITED	1	16,473,430	40.03
SUMER HOLDING A.S.	1	4,114,976	10.00
INDUSTRIAL DEVELOPMENT & RENOVATION ORGANIZATION OF IRAN	1	4,114,976	10.00
STATE LIFE INSURANCE CORPORATION OF PAKISTAN	1	3,487,924	8.48
THE PUNJAB PROVINCIAL COOPERATIVE BANK	1	2,954,362	7.18

Company Information

BOARD OF DIRECTORS

Non-executive Directors

Chairman

Mr. Mustapha A. Chinoy	Minority & Independent	- Elected

Directors

Sheikh Mohammmad Aijaz Akhtar	Minority & Independent	- Elected
Mr. Hasan Irfaan		- Nominee - PSPC
Mrs. Ayla Akin - Turkey	Minority & Independent	- Nominee - SHAS
Mr. Jamal Nasim	Minority & Independent	- Elected - NIT
Mr. Mazhar-ul-Hassan Shah		- Nominee - PSPC
Mr. Mohammad Reza Roshani Moghaddam - Iran	Minority & Independent	- Nominee - IDRO
Ms. Yasmin Saud	Minority & Independent	- Elected - SLIC

Executive Director

Chief Executive

Mrs. Naiyer Muzafar Husain		- 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. Jamal Nasim Independent Non-executive Director	- Chairman
Mr. Mustapha A. Chinoy Independent Non-Executive Director	- Member
Mr. Hasan Irfaan Non-executive Director	- Member
Mr. Talha Bin Hamid General Manager (Internal Audit)	- Secretary

BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Mustapha A. Chinoy Independent Non-Executive Director	- Chairman
Mrs. Naiyer Muzafar Husain Executive Director	- Member
Sheikh Mohammmad Aijaz Akhtar Independent Non-Executive Director	- Member
Mr. Jamal Nasim Independent Non-Executive Director	- Member
Mr. Nadeem Azhar General Manager (HR&A)	- Secretary

Company Information

BOARD INVESTMENT COMMITTEE

Mrs. Naiyer Muzafar Husain Executive Director	- Chairperson
Mr. Mustapha A. Chinoy Independent Non-Executive Director	- Member
Mr. Mazhar-ul-Hassan Shah Non-executive Director	- Member
Mr. Rizwan Ul Haq Khan General Manager (F&A)/CFO	- Secretary

MANAGEMENT AND STRATEGIC PLAN COMMITTEE

Chairperson:

Mrs. Naiyer Muzafar Husain	- Chief Executive

Members:

Mr. Ghulam Hussain Akhtar	- Director Projects
Mr. Rizwan Ul Haq Khan	- General Manager (F&A)/CFO
Mr. Muhammad Abdul Aleem	- Company Secretary
Maj. (Retd.) Muhammad Ali Niazi	- General Manager (Security)
Mr. Faiz-Ul-Islam	- General Manager (Supply Chain)
Mr. Talha Bin Hamid	- General Manager (Internal Audit)
Mr. Nadeem Azhar	- General Manager (HR&A)
Mr. Muhammad Imran Awan	- D.G.M. (Production)
Mr. Saadat Ali	- D.G.M. (QA/R&D)
Mr. Khalil Ahmed	- D.G.M. (Works)

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 Tayebaly & Co.
Advocates & Legal Consultants

REGISTERED OFFICE

Jinnah Avenue, Malir Halt,
Karachi-75100
Telephone: 99248285
Fax: 99248286
E-mail: splcs@cyber.net.pk
Website: http://security-papers.com

SHARE REGISTRAR

FAMCO Associates (Pvt.) Limited
1st Floor, State Life Building 1-A,
I. I. Chundrigar Road,
Karachi-74000.
Tel: 32427012, 32425467 & 32426597
Fax: 32426752 & 32428310

FACTORY

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

Board Audit Committee Meeting in Progress

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)**

   Five 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 announcement of results prior to publication.

c) Review of quarterly, half yearly and annual financial statements of the Company, prior to their 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 standards
   - 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.

Information on Board Committees

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 & Remuneration Committee (HR&RC)

No formal meeting was held during the year. However, matters of urgent nature were directly discussed and approved at the Board meeting on the recommendation of members of HR&RC.

The purpose of Board Human Resource and Remuneration Committee (HR&RC) is to assist the Board to fulfill its oversight responsibilities for:

- Recommending human resource management policies to the Board
- Evaluate executive officer performance and review the Company's management succession plan
- Employee reward and performance management

The HR&RC will consist of at least three members comprising a majority of Non-executive Directors, including preferably an independent Director. The Managing Director/Chief Executive Officer (MD/CEO) may be included as a member of the Committee but not as the Chairman of the Committee. The MD/CEO if member of HR&RC shall not participate in the proceedings of the Committee on matters that directly relate to his/her performance and compensation. The Head of Human Resource & Administration (HR&A) will act as Secretary of the Committee.

To exercise its responsibilities, the HR&RC will have authority to discuss any relevant matters with management and to request appropriate reports, explanations, accounts and/or activity modifications.

The HR&RC may delegate its authority to the Chairman or any other member of the Committee when it deems appropriate and in the best interest of the Company.

3. Board Investment Committee (BIC)

Two 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 Managing Director/Chief Executive 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-seventh Annual General Meeting of Security Papers Limited will be held on Thursday, the August 30, 2012 at 11:00 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, 2012 together with the Reports of the Auditors and the Directors.

2. To declare final cash dividend at the rate of Rs 6/- per share i.e. 60% for the year ended June 30, 2012 as recommended by the Board of Directors.

3. To appoint Auditors for the year 2012-13 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 / Committee(s) of the Board; shall not exceed Rs 6.25 million in a financial year."

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

The existing annual lump sum amount of remuneration to be paid to non-executive Directors for attending the meetings of the Board / Committee(s) of the Board was fixed three years ago in 2009 at Rs 2.22 million. The said lump sum amount has become inadequate and does not compensate the increasing level of roles and responsibilities of the Directors, the quantum of time put in and the commitment required. The proposed resolution seeks to revise the existing annual lump sum amount to Rs 6.25 million in the case of non-executive Directors. The Directors are interested in the Business to the extent of their remuneration".

By Order of the Board

(Muhammad Abdul Aleem)
Company Secretary

Karachi,
July 31, 2012

NOTES

1. The Share Transfer Books of the Company will remain closed from August 22 to August 30, 2012 (both days inclusive). Transfers received in order at the office of our Share Registrar, M/s. FAMCO Associates (Pvt.) Limited, 1st Floor, State Life Building No.1-A, I. I. Chundrigar Road, Karachi-74000 by the close of business on August 21, 2012 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 under mentioned guidelines as laid down in Circular No.1 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan.

Notice of Annual General Meeting

A. For Attending the Meeting:

(i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

(ii) In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For Appointing Proxies:

(i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

(ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC Numbers shall be mentioned on the form.

(iii) Attested copies of CNIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(iv) The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.

(v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

3. 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 Share Registrar, M/s. FAMCO Associates (Pvt.) Limited, 1st Floor, State Life Building No.1-A, I. I. Chundrigar Road, Karachi-74000.

Environment

FACTORY

OFFICE

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 47th ANNUAL GENERAL MEETING of the Company to be held on Thursday, August 30, 2012 at 11:00 AM and at any adjournment thereof.

Signed this__________day of __________ 2012.

Witnesses:

1.Signature ______________
Name: ______________
Address:______________
CNIC or Passport No.__________

2. Signature ______________
Name: ______________
Address:______________
CNIC or Passport No.__________

Rs 5/- Revenue Stamp

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.

ISO 9001 : 2008 &
ISO 14001 : 2004 Certified

Security Papers LIMITED

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
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