

Annual Report 2014



Security Papers
LIMITED

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



Security Papers
LIMITED

The Company Profile

Security Papers Limited (SPL) is in the business of manufacturing banknote paper and other security papers such as Prize Bonds, Defense Savings Certificate, Non-Judicial Stamp Paper, Child Registration Certificate, certificate paper for educational boards and degree paper for universities. SPL was established in 1965 as a private limited company and became a public limited company in 1967 with listing on the Karachi Stock Exchange Limited. It started commercial production in 1969 as the first joint venture of Iran, Turkey and Pakistan under Regional Cooperation for Development (RCD) now Economic Cooperation Organization (ECO). The commercial production of the old paper machine PM-1 was started in 1969.

The production process involves input of locally procured cotton comber, textile waste and water as raw material. The Pakistan Security Printing Corporation (Pvt.) Limited (PSPC) is the main customer of SPL. Being self-reliant, the Company is also saving substantial amount of foreign exchange, which would have been otherwise required for import of such paper.

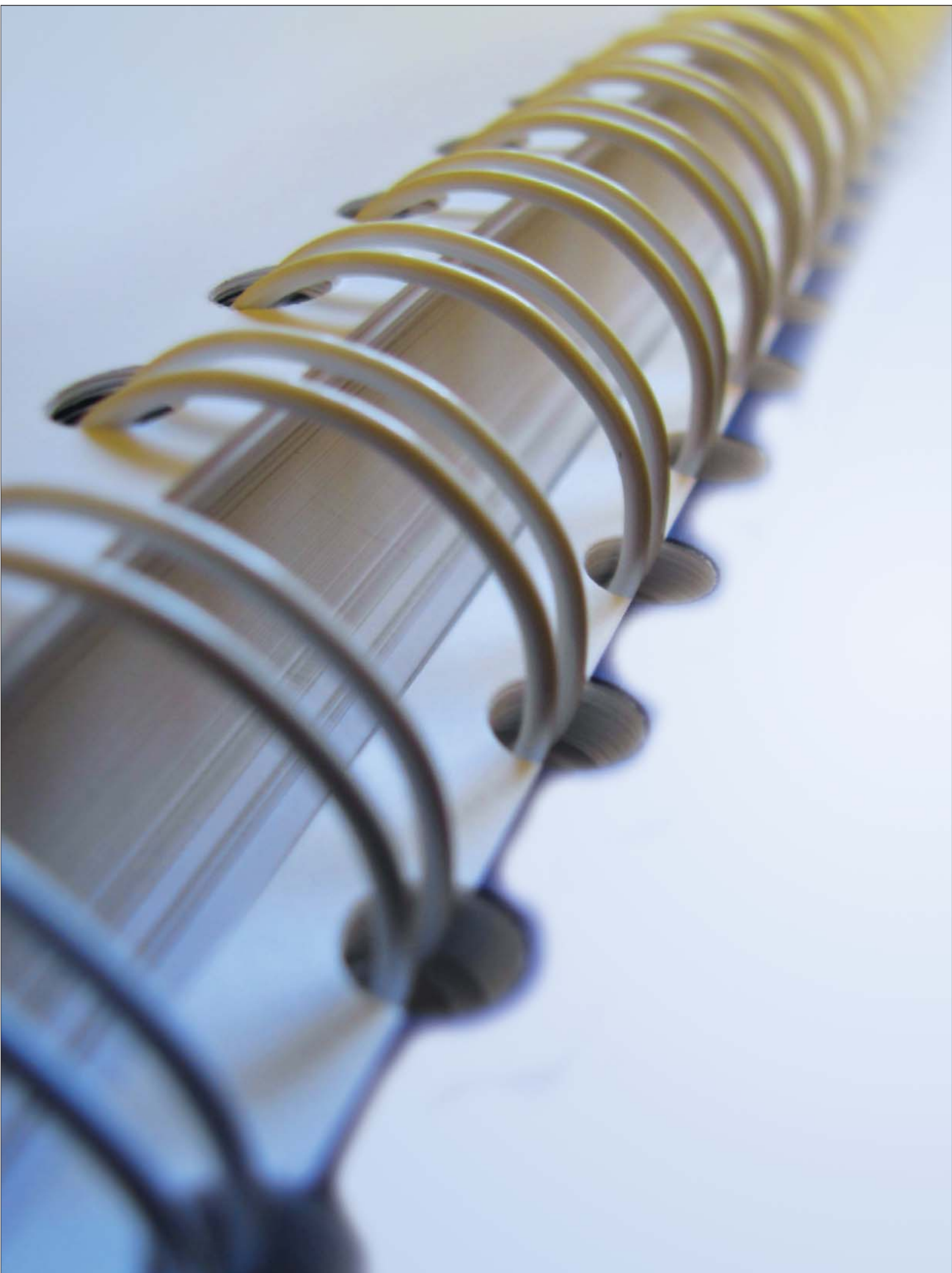
The new state of the art paper machine PM-2 of German origin started commercial production in 2003 and old PM-1 was scraped. The PM-2 is producing high quality specialized paper of international standard for a variety of security documents with custom made security features including 3 dimensional tonal variation watermarks and counterfeit deterrence capabilities.

To meet current and future technological challenges, SPL has been investing heavily in upgrading its manufacturing facilities to ensure continuous supplying of high quality banknote and other security papers to its main customer PSPC and other customers.

SPL has been gradually enhancing the paper production capacity which has increased from 2,000 tons to 2,500 tons extendable up to maximum of 3,000 tons per annum.

Geographical Presence

The geographical presence of the Company is in Karachi, Pakistan only, while the geographical presence of its customers is in Karachi, Lahore, Gujranwala, Faisalabad Islamabad and Peshawar.



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History of Major Events

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

Major Events during the Year

- Achieved highest ever production results in the history of the Company
- Achieved highest ever machine speed of 50 meter per minute (MPM) and achieved lowest ever production losses
- Successfully manufactured double ply paper
- For the first time manufactured paper from 100% wood pulp
- For the first time successfully produced and delivered Child Registration Certificate (CRC) paper for National Database and Registration Authority (NADRA)
- Execution of Independent Power Distribution Networking System (IPDNS). Old medium voltage & low voltage panels replaced with most modern Siemens panels
- Building construction work of cotton Dry Cleaning System almost completed
- Contract agreements signed for the supply of automatic thread unwind equipment for the paper machine
- Completely renovated material testing laboratory and the finance department
- Annual plant shutdown for maintenance of plant, machinery and building has been successfully completed
- Developed an in-house training room
- Certified Occupational Health and Safety Assessment Series (OHSAS 18001:2007)
- Initiated an in-house Newsletter



Board of Directors



Mustapha A. Chinoy
Chairman



Sheikh Mohammad Aijaz Akhtar



Ayla Akin



Jamal Nasim



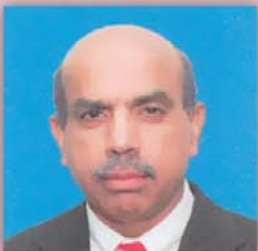
Mazhar-ul-Hassan Shah



Rizwan Ahmed



Kazi Abdul Muktedir



Muhammad Misbah Tunio



Ajaz Ali Khan



Dr. Abolghassem Jamshidi



Naiyer Muzafar Husain
Chief Executive Officer



Corporate Awards



29th Corporate Excellence Award of MAP



Best Corporate Report Award 2012 of ICAP & ICMAP

Corporate Awards



Fire & Safety Award 2013 of NFEH & FPAP



Environmental Reporting Award 2013 of ACCA-WWF



Chairman's Review

I am pleased to report that 2014 was another year of good performance for Security Papers Limited. This has been achieved due to a well planned strategy and a stable management team enabling the Company to deliver consistent value for our shareholders. Your Company has recorded a profit after tax of Rs 411.86 million in a challenging environment due to domestic and external factors.

To pass on the benefit of this achievement to shareholders, the Board recommended a payment of (i) 35% final cash dividend in addition to the interim cash dividend of 15% already paid making a total cash dividend of 50% and (ii) 20% issue of bonus shares for the financial year 2013-14.

Business and performance Review

The Company has achieved impressive growth in its operations during the year, operational excellence and management skills have positioned the Company to achieve sustained and qualitative growth in the long run. The year under review proved to be a challenging year for the Company as deteriorating law and order situation caused frequent disruption in the business throughout the year. The constantly higher inflation and rupee depreciation has increased the cost of manufacturing. Despite all these challenges I am pleased to inform that the Company performed very well and continued to provide high quality banknote and other security papers in accordance with the requirements of our customers. The directors and the management are closely monitoring the performance of the business with a focus to achieve continued improvements in productivity and efficiency while optimizing cost and processes to ensure sustained growth of the Company.

Production

The management of the Company remained committed to produce and deliver paper as per the customers' requirements. The Company produced 2,406 tons banknote and other security papers as against 2,181 tons last year. The supply chain team ensured continuous availability of goods and services by working closely with all vendors. 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. No major operational problems occurred and technical matters were handled well by trained and experienced engineers and technicians.

Sales

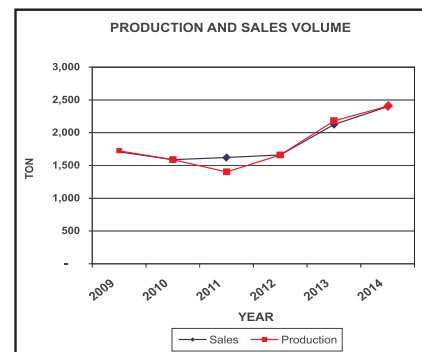
The Company achieved a sales volume of 2,399 tons as against 2,126 tons during the last year. The sales value during the year under review increased by Rs 379 million registering an improvement of 20.41% over the last year. During the year under review the Company has successfully negotiated sales price increase with its major customer Pakistan Security Printing Corporation (Pvt.) Limited.

Banknote paper

Sales revenue of our core business of banknote paper grew by 16% (Rs 228 million). The growth is mainly derived from increase in sales volume as well as increase in selling prices. We sold 1,686 tons banknote paper as against 1,516 tons last year. Margins shrank due to rising costs of raw materials and production overheads. A combination of cost effectiveness program and cost absorption helped to manage profitability for the business.

Other Security Paper

We have continued our efforts to expand the product base to achieve economy of scales and optimize the production capacity. This year we had good business from other security paper products, i.e. non judicial paper, prize bond paper, degree paper, parchment paper and child registration certificate paper. Sales of these products grew by 32% (Rs 151 million) due to higher demand from our customers. During the year under review we have produced Child Registration Certificate paper for National Database and Registration Authority (NADRA).



Chairman's Review

Plant Upgrade

The Company is continually pursuing an ambitious program of plant upgrade with a view to modernize its production facilities in phases. The objective is to improve efficiency and quality of the product. During the year, some of the projects are either executed or are in progress as follows:

Dry Cleaning Unit (DCU)

The DCU is a state of the art automatic system of German origin to clean the comber (cotton) before putting it into the pulping process. The system will therefore remove impurities from comber which in turn will improve the quality of paper. The project is in advance stage of completion.

Thread Unwind System (TUS)

The TUS is aimed to switch over from manual feed system to automatic thread feeding system of security thread. The new system will not only regulate the proper unwind of thread but also control the tension of each thread during feeding. This will also help in controlling thread related defects and will improve the quality of paper. The project is scheduled to complete in the next year.

Independent Power Distribution Networking System (IPDNS)

The IPDNS is meant to leave a choice with the Company either to use power supplied by K-Electric in synchronization with its own power self generation or to use both the sources independently without synchronization. With the completion of this project a 45 year old sub-station has been completely renovated while another 13 year old sub-station has been modified. The new equipment for both the sub-stations is state of the art and supplied by Siemens. The IPDNS will overcome power related problems and reduce power related production downtime. The project is almost completed.

Pulp Mill (PM)

The project of pulp mill seeks to replace 45 year old existing pulp mill in the form of new state of the art pulping system comparable to international standards with the following benefits:

- Continuity of paper supply to customers
- Improve the quality of production
- Marginal increase in production capacity
- Substantial reduction in the risk of production breakdown

The project is in initial stage and will take about 3 years to complete.

Forward Looking Information

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

Internal Audit

During the year in review Internal Audit function shifted its emphasis to provide greater assurance in the areas of operational efficiency, sustainability, and financial prudence. Based on the instructions, recommendations and guidance of the Board Audit Committee (BAC), the Internal Audit function adopted a risk-based approach that also ensured that the audit cycle resulted in genuine value addition to the Company's operations. For the coming year, as per instructions of BAC, Internal Audit is switching to a post-audit based model where the compliance is ensured through a self assessment mechanism by process owners themselves and Internal Audit's role is to monitor the efficiency and effectiveness of such procedures, bringing the organizational risk framework and the Internal Audit function itself in line with international best practices.

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.



Chairman's Review

The Internal Audit function is an independent appraisal activity within the Company engaged in continuous review of operations with an emphasis on accounting, financial, and operational implications. It acts as a managerial control and resident value adding consultant to all departments. Internal audit procedures are guided by the principles of independence, objectivity and value addition. Outcome of these procedures are operational efficiency, safeguard of profitability and Company's interests, and establishment and observance of internal controls.

Internal Control

The directors are responsible for development and observance of the Company's system of Internal Controls. These controls are designed to provide reasonable but not absolute assurance regarding (i) the safeguarding of Company assets against unauthorized use and (ii) the preparation of proper accounting records and reliability of financial information used internally or for publication. These controls facilitate to manage the risk of failure to achieve business objectives due to the circumstances which may reasonably be foreseen and can only prove reasonable assurance against material misstatement or loss. The Company has a Code of Ethics and Business Practices which applies to all employees and the directors.

Organizational Structure

A clear organizational structure exist detailing lines of authority and responsibility. The professionalism and competence of staff is maintained both through rigorous recruitment processes and policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfill their responsibilities, and that the Company can meet its future management requirements.

Information Systems

Information systems are developed to support the Company's long term objectives and are managed by a professionally staffed team which carried out notable enhancements during the year under review. The Company is fast moving ahead toward paperless environment. Various steps have been taken to improve information Technology (IT) infrastructure with a view to increase operational efficiency. Appropriate policies and procedures are in place covering all significant areas of the business.

Strategic Plan

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

Business Continuity / Disaster Recovery Plan

The Company takes very keen interest in business continuity and has the following measures in place to ensure smooth working in case of any disruptive events:

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

Anti Fraud Policy

The Company has a comprehensive Anti-Fraud Policy duly approved by the Board of Directors. The Policy covers all kinds of frauds, whether they involve financial embezzlement, physical displacement of materials, manipulation of accounting record, collusion with suppliers or customers, or misappropriation of assets.

Chairman's Review

As per this policy all instances of fraud are to be reported to the Board Audit Committee (BAC) through the office of Head of Internal Audit. The BAC has full authority to formulate new rule and regulations to address the gaps in internal controls that resulted in the fraud. The Policy lays down all stakeholders' responsibilities towards prevention and addressing of fraud, as well as providing a response plan in case any such event is uncovered.

Speak up / Whistle Blower Policy

The Company has a comprehensive speak up policy which provides a whistle blowing outlet to all employees with guaranteed safety and confidentiality. Speak up items are collected by Human Resource department from specific boxes placed for this purpose around the premises, and the same are then forwarded to the CEO for any further action.

Business Process Re-engineering

The Company is into the business of High security grade paper that requires Top most product quality.

To ensure the best quality of paper and uniformity in properties, a feedback control was required at each step of the manufacturing process; hence Process Systems department has been established. The department employs the services of engineers and chemists who already have production and quality department experiences. This has provided an insider review of the processes and their inherent shortcomings that are being tackled by the help of analytical tools.

This has helped in identifying the areas normally overlooked in daily routing production and worked to improve the areas to add to bottom line profits by reducing process wastes.

Research & Development

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

The Integrated Management System

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

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

During the year the Company has achieved certification of Occupational Health and Safety Management Series OHSAS (18001: 2007).

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

A detailed Occupational Health and Safety "Hazards Identification and Risk Assessment and Controls" (HIRC) have been performed for normal, abnormal and emergency situations (covering routine and non-routine activities' and natural disasters) within organization and evaluation of compliance including Personal Protective Equipments (PPEs) and tool management. Effective arrangements are in place for controlling radiation monitoring and light intensity.

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





Chairman's Review

Safety Week

To activate and enhance the Health and Safety awareness, a Safety Week has been organized under the theme "Safety is in my hand" to involve the people.

During the week, various events were organized. Emergency mock drills (fire, earth quake, and chemical spill) were conducted including first aid and evacuation of injured and special people. HSE related videos were shown on departmental levels. A quiz program was conducted and special awards were given to deserving employees. A hand bill was also distributed for awareness.



The Environment Management System (ISO 14001: 2004)

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

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

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

Periodic internal as well as external audit and verification has been regularly conducted by independent certification body for continual improvement.

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

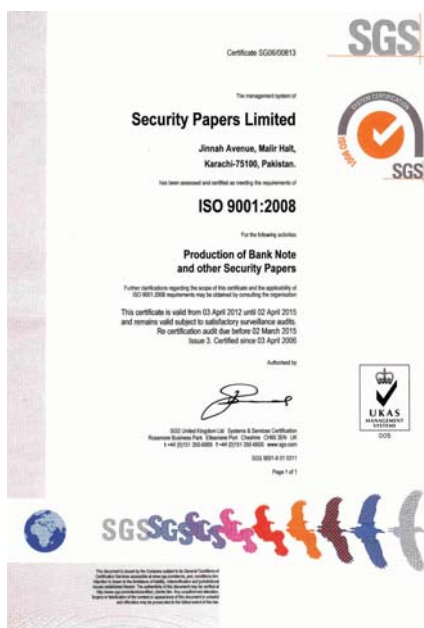
Quality Management System (ISO 9001:2008)

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

Environmental Reporting Award 2013

The Company has achieved another milestone by winning ACCA-WWF Environmental Reporting Award 2013. This demonstrates our commitment to environmental preservation and its effective management.

The Company had also received a commendation for commitment to Environmental reporting in 2010 from ACCA-WWF Pakistan.



Chairman's Review

Safety and Security

The continuity of operations of the Company as well as safety and security of its assets is the prime concern of the management; particularly in the wake of worsening law and order situation. We are trying our best to meet this challenge by continuing upgrade of the existing infrastructure as well as acquiring new technology to augment the same.

Fire & Safety Award

The efforts of the Company toward fire and safety have been recognized by National Forum for Environment & Health (NFEH) and Fire Protection Association of Pakistan (FPAP) in the form of Fire and Safety Award - 2013 for the third year running. This shows management's utmost emphasis on protecting the life and property belonging to the Company from fire hazards.

Corporate Social Responsibility

The following population groups and areas have been identified for Corporate Social Responsibility (CSR) activities, priority is given to certified non-profit / non-government organizations (NPOs / NGOs) as time to time updated by Pakistan Centre for Philanthropy (PCP):

- Underprivileged children and mothers (welfare spending for under-privileged classes)
- Rural population - remote and suburbs areas of Karachi (Rural development programs)
- Underprivileged students (Community investment & welfare schemes)
- Environment (energy conservation and environmental protection measures)
- Sports & Culture
- Cause Walk
- Donation to charitable / funded health care organizations

National Cause Donations

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

During the year following donations were made:

Description	Rs in '000
Friends of Burns Centre	2,550
SOS Children Village	166
Pakistan Blind Association	300
Darul Tasnif (Pvt.) Limited	300
Children Health & Education Foundation	70
AL- Mehrab Tibbi Imdad Hopital	700
Others	1,209
Total	5,295

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 433.29 million as compared to Rs 318.40 million during the corresponding period. In addition the company has also made foreign exchange savings of US\$ 22.36 million (approx) through import substitution during the year as compared to US\$ 18.57 million in the corresponding period.



Chairman's Review

Energy Conservation

During the year, the Company has taken a number of initiatives to conserve energy. Some of these are:

- Arrangement of direct fired absorption chiller using frequency controlled drive fans consuming less power as compared to conventional drives at existing chiller
- 80% of the installed motor drives at plant are of inverter based which consumes less energy as compared to conventional star-delta motors
- Using split air-conditioners (ACs) with energy efficient rotary compressors in replacement of window type ACs with reciprocating compressors
- Using energy saving lights of 50-80 watts in replacement of 250 watt flash lights with relatively high intensity

Employees are encouraged to switch off lighting, computer systems, electronic equipments and air-conditioners when not in use.

Human Resource

We are committed to development and well-being of our employees. The goal is to recruit and retain professionals who possess the competencies and skills required for the Company to implement its strategy. The Company encourages gender equality.

During the year the Company has inducted young people to further maximize the efficiency and professionalism. The Company has also introduced a quarterly newsletter, which includes useful information about the progress and recent achievements of the Company.

Industrial Relations / Workers' Welfare

The Company believes in maintaining cordial industrial relations with its employees and is always taking measures towards employees' welfare. The Company provides subsidized food through its dining facility. The Hajj facility is also provided to employees annually.

Employment of Special Persons

In order to provide employment opportunity to special persons and to provide them a chance to earn respectable living as useful member of the society, the Company has a policy to employ such persons.

Trainings

Establishing an environment conducive to learning is a critical aspect of training sessions. For better training and development of the Company employees, we have developed an exclusive in-house training room with necessary infrastructure.

The Company encourages employees to develop their skills and professionalism in a variety of ways. During the year under review a number of external and In-house training sessions were conducted with successful learning outcomes.

Statement of Ethical Practices

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

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

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'.

Chairman's Review

Corporate Governance Rating

During the year, JCR-VIS Credit Rating Company Limited has reaffirmed the Corporate Governance Rating of the Company at CGR-9 denoting 'high level of corporate governance'. The rating is measured on a scale ranging from CGR-1 (lowest) to CGR-10 (highest).

Corporate governance ratings are based on evaluation of key governance areas of the rated organization, which include Regulatory Compliance; Board Oversight; Management Profile; Self-regulation; Financial Transparency and Relationship with Stakeholders. The rating takes into consideration the continued commitment of the Board and management of the Company to maintain sound governance framework.

Corporate Excellence Award

The Company holds 24th to 29th Awards (six times running) of the Management Association of Pakistan (MAP). 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 2012. The Annual Report - 2003 and 2006 to 2011 of the Company already won the Best Corporate Report Award.

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

Top Companies Award

The Company has the distinction of receiving Top Companies Award of the Karachi Stock Exchange Limited (KSE) for the year 2000 to 2007 and 2009 to 2012.

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

Acknowledgement

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

MUSTAPHA A. CHINOY

Chairman

Karachi

Dated: 25 July 2014



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, 2014.

Financial Results

The operating results of the Company for the year ended June 30, 2014 are summarized as follows:

Profit before taxation
 Taxation
 Current - for the year
 Current - for prior Year
 Deferred

2014	2013
(Rupees in '000)	
610,671	468,080
217,866	165,382
8,242	(2,134)
226,108	163,248
(27,294)	(15,400)
198,814	147,848
411,857	320,232

Profit after taxation

Subsequent Appropriations

The Directors have recommended (i) final cash dividend of Rs 3.50 per share, i. e. 35% in addition to the interim cash dividend of Rs 1.50 per share i.e. 15% already paid making a total cash dividend Rs 5/- per share i.e. 50% (2013: final cash dividend Rs 4/- per share, i.e. 40%), (ii) bonus shares in the proportion of two shares for every ten shares held i.e. 20% (2013: bonus shares in the proportion of two shares for every ten shares held i.e. 20%) and appropriation of Rs 66.20 million (2013: Rs 73.33 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.

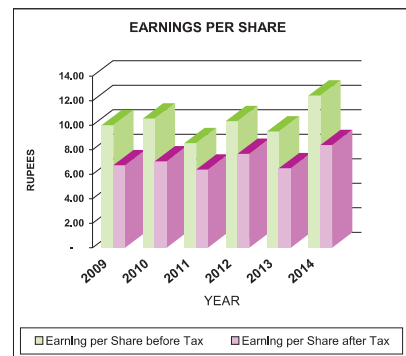
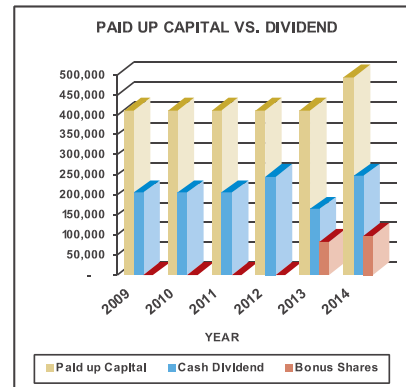
Earnings per share

The earnings per share (EPS) - before and after taxation are Rs 12.37 and Rs 8.34 (2013: Rs 9.48 and Rs 6.49) respectively.

Operating Results

During the year under review, the net sales revenue is higher by Rs 379.09 million as compared to the previous year mainly due to higher sales volume of banknote and other security paper products.

The Company earned a gross profit of Rs 660.81 million during the year under review as compared to Rs 546.15 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, operational efficiencies and better absorption of fixed costs due to higher volume.



Directors' Report

Other operating income increased by Rs 13.142 million during the current year as compared to the previous year mainly due to better returns on investment of surplus funds.

The profit after tax of Rs 411.86 million has been earned for the year as compared to Rs 320.23 million during the previous year. The increase in Company's profitability during the year under review is mainly due to higher sales volume, effective inventory management and better returns from investments of surplus funds.

Market and book value per share

The book value per share stood at Rs 74.32 as against Rs 70.71 in the previous year. The before and after tax return on equity worked out to be 16.64% and 11.22% compared to 13.41% and 9.17% in the corresponding period respectively.

The average market price during the year remained at Rs 65.46 (2013: Rs 58.05) per share. The market price as of 30 June 2014 was Rs 70.00 (2013: Rs 66.99).

Cash Flow Management

During the year under review an amount of Rs 519.62 million was generated from the operating activities of the Company and Rs 165.16 million received on account of mark up on investment. The Company made an investment of Rs 97.59 million in Pakistan investment Bonds. The Company has paid an amount of Rs 161.21 million on account of repayment of long term loan and Rs 215.48 million has been paid as dividend to the shareholders.

Long term debt equity and current ratios

The long term debt-equity and the current ratios of the Company as at June 30, 2014 works out to 0.05:1 and 2.02:1 (2013: 0.10:1 and 3.52:1) respectively. The improvement in debt-equity ratio is due to repayments made against long term loan. However, the current ratio declined mainly due to investment of surplus funds in long term investments.

Material changes and commitments

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

Financial Statements

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

Auditors

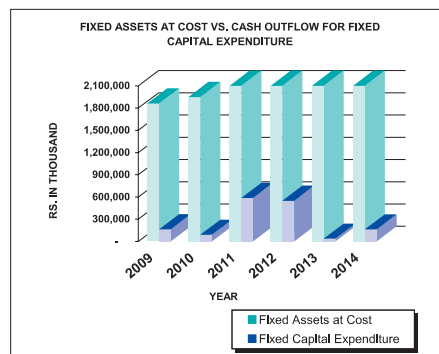
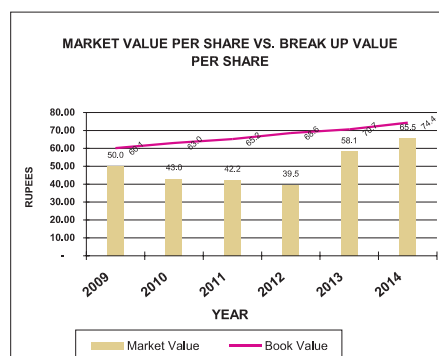
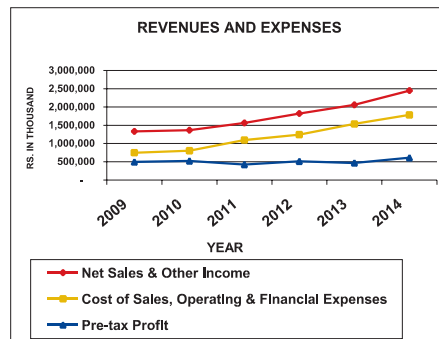
The auditors, M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire at the conclusion of the Annual General Meeting. Being eligible, they have offered themselves for re-appointment.

As suggested by the Audit Committee, the Board recommends the appointment of M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as auditors of the Company for the year 2014-15.

Board and Committee Changes

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

Mr. Muhammad Misbah Tunio Non-Executive Director joined the Board as nominee of Pakistan Security Printing Corporation (Pvt.) Limited in place of Mr. Wajid Jamil. (Earlier, Mr. Wajid Jamil joined the Board and resigned as nominee of Pakistan Security Printing Corporation (Pvt.) Limited).





Directors' Report

Mr. Ajaz Ali Khan, Non-Executive Director joined the Board as nominee of State Life Insurance Corporation of Pakistan. (Earlier, Mr. Alamuddin Bullo, Non-Executive Director joined the Board and later resigned as nominee of State Life Insurance Corporation of Pakistan).

Dr. Abolghassem Jamshidi, Non-Executive Director joined the Board as nominee of Industrial Development and Renovation Organization of Iran in place of Mr. Mohammad Reza Roshani Moghaddam.

Mr. Muhammad Misbah Tunio, Non-Executive Director has been appointed as member of the Board Audit Committee.

Mr. Alamuddin Bullo was appointed as member of the Board Human Resource and Remuneration Committee. The position was later vacated on his resignation as member of the Board of Director.

The Board welcomes the new members and appreciates the valuable contribution of the outgoing members 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 70).

Statement on Corporate and Financial Reporting Framework

- 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.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 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.
- The system of internal control is sound in design and has been effectively implemented and monitored: and
- There are no significant doubts upon the Company's ability to continue as a going concern.
- Key operating and financial data of last six years in summarized form is annexed (page 51).
- Outstanding taxes and levies have been adequately disclosed in the annexed audited financial statements.
- The following is the value of investments based on respective latest audited accounts: (i) Provident Fund Rs 258.04 million (ii) Gratuity Fund Rs 254.77 million.
- The detail of number of Board and Committee meetings held during the year and attendance by each Director is as follows:

Name of Directors	Board		Committees					
			Audit		Human Resource & Remuneration		Investment *	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Mr. Mustapha A. Chinoy	6	5	6	5	3	1		
Sheikh Mohammad Aijaz Akhtar	6	5	6	5	3	2		
Mrs. Ayla Akin - (Turkey)	6	0						
Mr. Jamal Nasim	6	6	6	6	3	3		
Mr. Mazhar-ul-Hassan Shah	6	6						
Mr. Rizwan Ahmed	6	6			3	3		
Mr. Kazi Abdul Muktadir	6	5	5	5				
Mr. Muhammad Misbah Tunio	2	2						
Mr. Aijaz Ali Khan	0	0						
Dr. Abolghassem Jamshidi	0	0						
Mrs. Naiyer Muzafar Husain (Chief Executive Officer)	6	6			3	3		
Outgoing Directors								
Mr. Alamuddin Bullo	3	2						
Mr. Wajid Jamil	2	2						
Mr. Mohammad Reza Roshani Moghaddam - (Iran)	6	6						

Directors' Report

- * No meeting was held during the period under review.
- k. During the year Mr. Kazi Abdul Muktadir, Mr. Rizwan Ahmed and Mr. Muhammad Misbah Tunio have completed Directors' Training Program. In addition Mrs. Ayla Akin - (Turkey) meets the criteria of exemption under clause (xi) of the Code of Corporate Governance and is accordingly exempted from Directors' Training Program.
- l. The pattern of shareholding is annexed (page 117).
- m. No trading in Company's shares was carried out by its Directors, CEO, CFO, Company Secretary, Head of Internal Audit, other Executives and their spouse(s) and minor children.

The Economy

The GDP growth accelerated to 4.14 percent in 2013-14 against the growth of 3.70 percent recorded in the same period last year. The agriculture sector grew at an estimated rate of 2.12 percent against the growth of 2.88 percent in the last year. The industrial sector expanded by 5.84 percent against the growth of 1.37 percent in last year, while large scale manufacturing posted growth of 5.31 percent against the growth of 4.08 percent in last year. The services sector grew at 4.29 percent as compared to 4.85% last year. Workers' Remittances reached at \$ 12894.61 million in July-April of 2013-14, against \$ 11569.82 million in the comparable period of last fiscal year. Inflation rate as measured by the changes in CPI, averaged at 8.7 percent during July- April, 2013-14 against 7.7 percent in the comparable period last year. Major challenges to the economy remained fiscal deficit, energy crises and law and order situation.

Forward looking information

The Company is optimistic of its sustainability with enabling business environment during the ensuing year 2014-15. This will be subject to inflationary pressures, availability of raw materials, mainly cotton comber, at reasonable prices and policies of the Government. The Company has systems and procedures in place to meet surrounding risk and challenges through a phased plant upgrade program, optimization of its existing resources, product diversification and profitability of its existing products.

Chairman's Review

The Board of Directors endorse the contents of the Chairman's Review annexed (page 10).

On behalf of the Board of Directors

MRS. NAIYER MUZAFAR HUSAIN

Chief Executive Officer

Karachi

Dated: 25 July 2014



Profile of the Members of the Board of Directors

MR. MUSTAPHA A. CHINYOY

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 & Remuneration Committee, Member of (ii) Board Audit Committee and (iii) Board Investment Committee.

Mr. Mustapha A. Chinoy is a Bachelor of Science in Economics from Wharton School of Finance, University of Pennsylvania, USA with majors in Industrial Management and Marketing.

Upon return from United States he took up the position of Marketing Manager at International Industries Limited. He is currently the Chief Executive of Intermark (Private) Limited.

He is also on the Board of:

- (i) International Industries Limited
- (ii) International Steel Limited
- (iii) Pakistan Cables Limited
- (iv) Travel Solutions (Pvt.) Limited
- (v) Global E-Commerce Services (Pvt.) Limited
- (vi) Creat8ive Bench (Pvt.) Limited
- (vii) Universal Training & Development (Pvt.) Limited
- (viii) Global Reservation (Pvt.) Limited

He has previously served on the Board of Union Bank Limited until it was acquired by Standard Chartered Bank.



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.

He is a 'Certified Director'.

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

He is a Graduate (B.Sc.).

Sheikh Aijaz has about 41 year of experience with:

- (i) Family Business
- (ii) Trade & Industry
- (iii) Steel Merchants and
- (iv) Gulf Builders & Developers (Pvt.) Limited.



Profile of the Members of the Board of Directors

MRS. AYLA AKIN

Non-Executive Director

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

She is a Graduate from Ankara University.

Mrs. Ayla Akin has over 27 year experience in government departments.

Presently she is serving as Manager of Privatization Department, M/s. Sümer Holding J.S.C. General Directorate, Turkey.



MR. JAMAL NASIM

Non-Executive Director

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

He is a 'Certified Director'.

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

After having Bachelor of Commerce, he has done MBA from The Asian Institute of Management, Manila, Philippine.

Mr. Nasim has about 34 year 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 / President of Industrial Development Bank Limited (IDBL).

Other Directorship:

President

- (i) Industrial Development Bank Limited (IDBL)

Director

- (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
- (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 a 'Certified Director'.

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

Mr Mazhar has about 13 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. RIZWAN AHMED

Non-Executive Director

Mr. Rizwan Ahmed was appointed to the Board in 2013.

He is Non-Executive Director nominated by M/s. Pakistan Security Printing Corporation (Pvt.) Limited (PSPC). He is also Member of Board Resource & Remuneration Committee.

He is a 'Certified Director'.

Mr. Rizwan is a Master in Public Administration (MPA) from Kennedy School of Government, Harvard University, USA. He did Master in Science (Social Sciences) from Shaheed Zulfiqar Ali Bhutto Institute of Science and Technology, Karachi, Bachelor in Law (LLB) from Sind Muslim Law College, (Karachi University) and Bachelor in Engineering (Electronics) from Dawood College of Engineering (NED University).

He belongs to Pakistan Administrative Service (PAS), Central Superior Services, Government of Pakistan. He has more than 26 years of vast professional experience in law enforcement, administration, finance, management, personnel & human resource, public procurement and health etc.

He has served on the following senior management positions:

- (i) Assistant Commissioner - Mianwali, Bhawalnagar and Rahimyar Khan, Government of Punjab
- (ii) Additional Commissioner (Coordination) - Gujranwala Division, Government of Punjab
- (iii) Deputy Commissioner - District Hyderabad, Government of Sindh
- (iv) Additional Secretary - Law Enforcement, Home Department, Government of Sindh
- (v) Additional Secretary - Budget & Expenditure in Finance Department, Government of Sindh
- (vi) Director Provincial Program - Decentralization Support Program, Government of Sindh.
- (vii) Secretary - General Administration & Coordination Department, Government of Sindh.
- (viii) Executive Director - Personnel & Human Resource, Pakistan Steel Mills Limited, Ministry of Industries, Government of Pakistan.
- (ix) Managing Director - Sindh Public Procurement Regulatory Authority, Government of Sindh.
- (x) Secretary to Governor Sindh, Government of Sindh.
- (xi) Secretary - Health Department, Government of Sindh.
- (xii) Secretary - Implementation & Coordination SGA&CD, Government of Sindh.
- (xiii) Managing Director - ENAR Petrotech (Pvt.) Limited, Ministry of Production, Government of Pakistan.

He has also teaching experience and worked as Directing Staff in National Institute of Management, Karachi and Teaching Fellow at Kennedy School of Government, Harvard University, USA.

Mr. Rizwan is presently serving as Chairman, Trading Corporation of Pakistan.



Profile of the Members of the Board of Directors

MR. KAZI ABDUL MUKTADIR

Non-Executive Director

Mr. Kazi Abdul Muktedir was appointed to the Board of Directors in 2013.

He is a Non-Executive Director being nominee of Pakistan Security Printing Corporation (Pvt.) Limited (PSPC). He is also a Member of Board Audit Committee.

He is a 'Certified Director'.

Mr. Kazi completed his higher studies from McGill University Canada, London University, Sindh University and Karachi University. Holding Masters Degree, he has to his credit numerous diplomas and certificates in the field of Banking, Islamic Banking, Agri-business, Management, Planning and Energy etc.



Presently he is Deputy Governor, State Bank of Pakistan (SBP). Prior to taking over as SBP Deputy Governor, Mr. Kazi had been serving the State Bank of Pakistan as its Executive Director since December, 2002. He had been Group Head of Banking Supervision since June, 2010 and was responsible for On-Site Examination, Off-Site Surveillance and Enforcement actions over all banks in Pakistan. In this capacity, he gained repute within the banking community as a high caliber professional known to handle difficult issues and situations.

Before joining the SBP in January 1997, Mr. Kazi served many distinguished organizations such as Habib Bank Limited and the then Pakistan Banking Council in prominent capacities. Prior to that, he worked in Canada. He also served Sindh Agricultural University Tandojam, Agha Khan Rural Support Program (AKRSP), International Labour Organization (ILO) project, Food and Agriculture Organization (FAO) and Rabka Limited Karachi.

Mr. Kazi represented Pakistan at different international forums and has been a member of a number of bodies and task forces, including the Conference of Banking Supervisors of Bank for International Settlements, HR Task Force of Islamic Financial Services Board (IFSB), Selection Board, Allama Iqbal Open University, Islamabad, Board of Studies of a number of Universities, committee on formulation of the National Housing Policy and implementation committee on the Trade Policy, Ministry of Commerce.

Other business, occupation and directorship:

Directorship:

- (i) Pakistan Security Printing Corporation (Pvt.) Limited
- (ii) SECP Policy Board
- (iii) Trade Development Authority of Pakistan

Member Selection Board:

- (iv) Allama Iqbal Open University, Islamabad



Profile of the Members of the Board of Directors

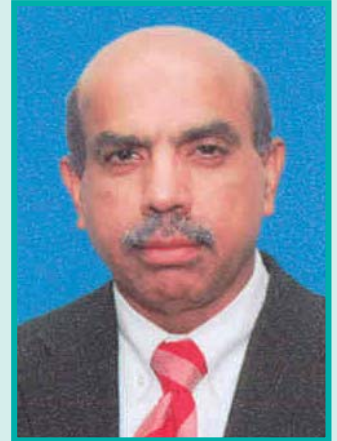
MR. MUHAMMAD MISBAH TUNIO

Non-Executive Director

Mr. Muhammad Misbah Tunio was appointed as member of the Board of Directors in 2014.

He is a Non-Executive Director nominated by Pakistan Security Printing Corporation (Pvt.) Limited. He is also a Member of Board Audit Committee.

He is M.A. Economics, M. Phil (Dev. Economics) from SZABIST, MBA (Finance) from Karachi, Chartered Financial Analyst (CFA) level-I from USA, SAP R/3 certified Consultant in Financial Module from SAP Germany and LLB from S.M. Law College, Karachi.



Mr. Misbah belongs to Pakistan Administrative Service (PAS). He has vast professional experience on senior management positions with Provincial as well as Federal Government departments and Multinational organization in diversified fields such as law enforcement, administration, foreign services, management, information technology, planning and education etc. He has served with the following:

- Secretary, Government of Sindh, Karachi
- Minister Trade, Consulate General of Pakistan, Kandahar, Afghanistan
- Member Board of Revenue, Government of Sindh.
- Director General, Malir Development Authority
- Additional Secretary, Education Department - Khyber Pakhtoon Khawa (KPK)
- Additional Secretary, S&GAD, Government of Sindh
- Deputy Commissioner, Nosharo-Feroz, Sindh
- Administrator and D.C.O. Qambar Shahdad Kot, Sindh
- Administrator and D.C.O. Tando Allah Yar, Sindh
- Worked as SAP Consultant with SEIMENS Pakistan
- Additional Secretary Ministry of Interior, Islamabad
- Additional Secretary Ministry of Planning and Development, Islamabad

Presently, he is serving as Chairman & Managing Director, Pakistan Security Printing Corporation (Pvt.) Limited.

Other Directorship:

- Pakistan Security Printing Corporation (Pvt.) Limited
- SICPA Inks Pakistan (Pvt.) Limited

Profile of the Members of the Board of Directors

MR. AJAZ ALI KHAN

Non-Executive Director

Mr. Ajaz Ali Khan was appointed to the Board in 2014.

He is a Non-Executive Director nominated by M/s. State Life Insurance Corporation of Pakistan (SLIC).

He is Master in Public Administration (MPA), from Arkansas State University, USA and Master in Economics (M.A.), from University of Sindh, Pakistan.

He has extensively attended local and international professional training courses, workshops, seminars and conferences.

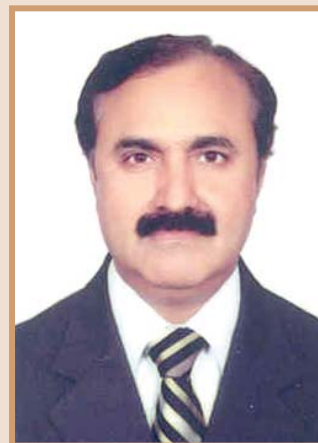
Mr. Ajaz Ali Khan joined Civil Services in 1982. He has vast professional experience on senior management positions with Provincial as well as Federal Government departments in diversified fields such as public sector management, administration, Secretarial, financial, judicial, education and law enforcement etc. including the following:

- Additional Secretary, Ministry of Water and Power, Islamabad
- Additional Secretary, Wafaqi Mohtasib Secretariat, Karachi
- Secretary, Coal & Energy Development Department, Government of Sindh (GoS)
- Secretary (implementation), S&GAD, GoS
- Secretary, Agriculture Department, GoS
- Secretary, Coal & Energy Development Department, GoS
- Managing Director, Thar Coal & Energy Board
- Secretary, Mines & Mineral Development Department, GoS
- Member Board of Revenue, Revenue Stamps & Evacuee Property, GoS
- Secretary, Food Department, GoS
- Secretary, Services General Administration & Coordination Department (SGA&CD), GoS
- Director General, Works and Services Department, GoS
- Project Director, Scheme 33, Karachi
- Executive District Officer (EDO), Education, City District Government Karachi (CDGK)
- Director, Export Promotion Bureau (EPB)
- District Coordination Officer (DCO) District Lasbela, Baluchistan
- Deputy Commissioner, Lasbela, Baluchistan
- Deputy Commissioner, Gawader, Baluchistan
- Deputy Secretary Staff, GoS
- Deputy Secretary Budget/O&M, GoS
- Deputy Commissioner, Shikarpur, GoS
- Director Protocol, GoS
- Assistant Commissioner & Sub Divisional Magistrate, Civil Lines, Karachi south, GoS
- Assistant Commissioner & Sub Divisional Magistrate, SITE, Karachi West, GoS

Presently, he is serving as Executive Director, M/s. State Life Insurance Corporation of Pakistan.

Other Directorship:

Hub Power Company Limited





Profile of the Members of the Board of Directors

DR. ABOLGHASSEM JAMSHIDI

Non-Executive Director

Dr. Abolghassem Jamshidi was appointed to the Board in 2014.

He is a Non-Executive Director nominated by M/s. Industrial Development Organization of Iran (IDRO).

He is Ph. D. in Economics (The Financial System and Monetary Policy) from Tilburg University, Netherlands and M.S. in Administrative Sciences, from Administrative Science Faculty, Tehran Iran.

Mr. Jamshidi has very rich professional experience on senior management positions in diversified fields such as trade, industries, commerce, administration, finance, education and banking etc. including the following:

- Advisor to the Minister of Industry
- Advisor to the Minister of Heavy Industry
- Advisor to the Minister of Roads & Transportation
- Chairman & Managing Director of the Iranian Industrial Development Investment Co.
- Deputy of Moztazafan & Janbazan Foundation in the Execution of Independent Industrial Projects for Job Creation as well as Training Affairs
- Member of High Council as well as Plan, Project & Coordination Deputy of Nationalized Iranian Industries Organization
- Deputy Minister of Industry for Economic & International Affairs [and in Charge of United Nations Industrial Development Organization (UNIDO) Coordination Office in Iran]
- Chairman & Managing Director of Sepah Bank
- Economic & Commercial Affairs in deputy Ministry of Industry
- Chairman of Industrial Management Institute of Iran
- Substitute to the Chairman of the Organization for Industrial Development & Renovation
- Member of the High Council (As a Board Member) of the National Iranian Industries Organization
- Deputy Minister of Commerce for Internal Trade
- In Charge of the General Provincial Affairs Department of the Ministry of Commerce
- Expert of Trade Studies Center
- FAO Expert (Food & Agricultural Organization of U.N.) & C.A.M.D. in Iran

Presently, he is serving as Senior Advisor to the Pasargad Bank.



Profile of the Members of the Board of Directors

MRS. NAIYER MUZAFAR HUSAIN

Chief Executive Officer

Mrs. Naiyer Muzafar Husain was appointed as Chief Executive Officer of the Company in 2008. She is also: Chairperson of (i) Board Investment Committee and Member of (ii) Board Human Resource & Remuneration Committee.

She is a 'Certified Director'.

She holds Masters Degree in Pakistan Studies.

Mrs. Naiyer has over 35 years experience in various government departments such as:

- Ministry of Finance & Economic Affairs Division
- Manager (Foreign Aid) Civil Aviation Authority (CAA)
- Chief of Foreign Aid, Planning & Development Department Government of Sindh
- Seven years banking experience in National Development Finance Corporation (NDFC), including as Head of Banking Division
- Director Finance & Air Transport CAA

She has served as Chairperson and Managing Director of Pakistan Security Printing Corporation (Pvt.) Limited.





Criteria to Evaluate Board's Performance

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

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

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

Directors' Training Program

* Status of Compliance

During the year under review three Directors have completed the Directors' Training Program (DTP) and one Director met the exemption criteria.

The overall updated status is as follows:

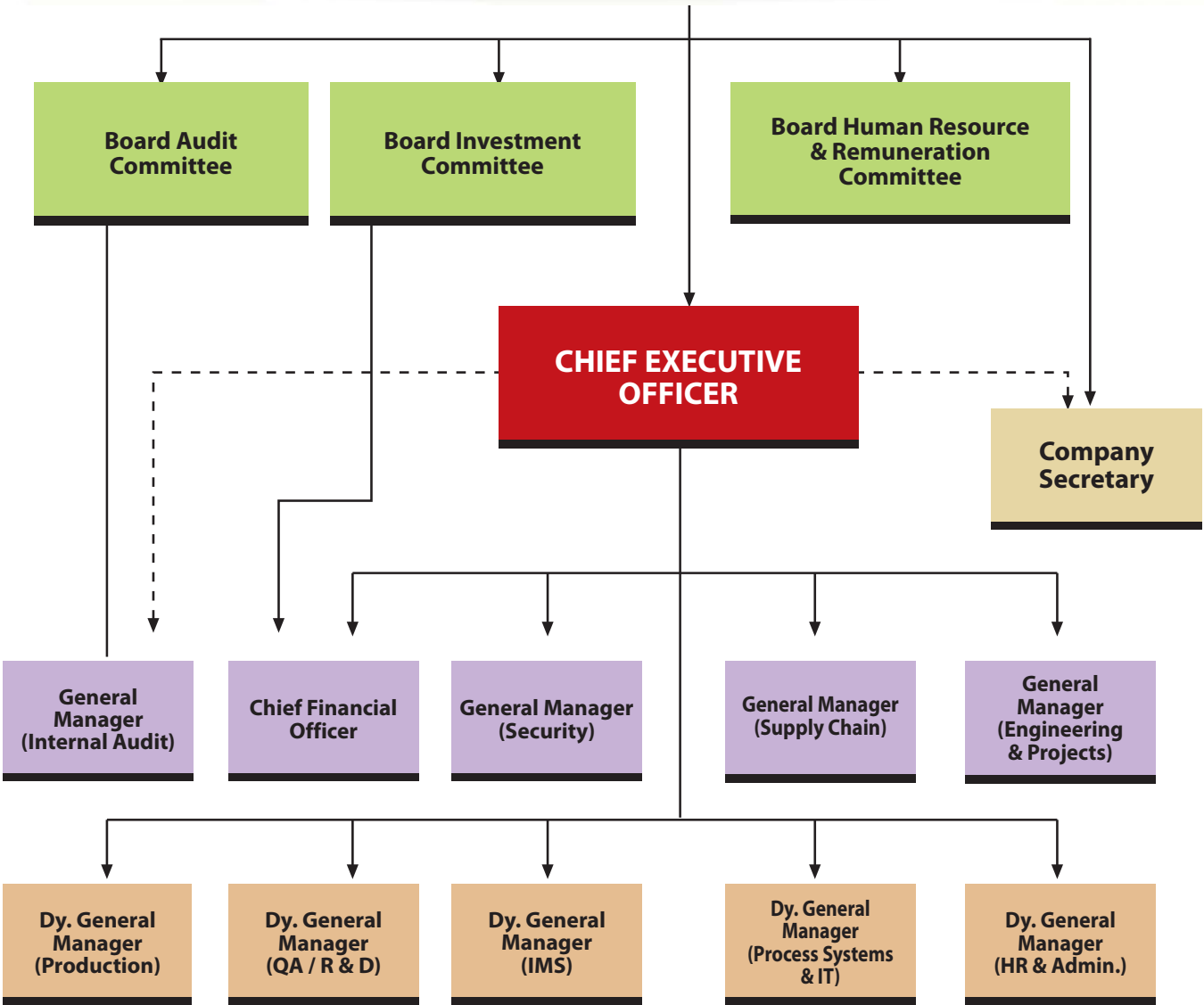
Name of Director	DTP Status		Remarks
	Completed	Exempted	
Mr. Mustapha A. Chinoy		✓	
Sheikh Mohammad Aijaz Akhtar	✓		
Mrs. Ayla Akin - (Turkey)		✓	Exempted in 2013-14
Mr. Jamal Nasim	✓		
Mr. Mazhar-ul- Hassan Shah	✓		
Mr. Rizwan Ahmed	✓		Completed in 2013-14**
Mr. Kazi Abdul Muktadir	✓		Completed in 2013-14
Mr. Muhammad Misbah Tunio	✓		Completed in 2013-14**
Mr. Ajaz Ali Khan			Joined in June 2014
Mr. Abolqhassem Jamshidi - (Iran)			Joined in July 2014
Mrs. Naiyer Muzafar Husain - CEO	✓		
Outgoing			
Mr. Alamuddin Bullo	Partly completed		Joined & Resigned 2013-14
Mr. Wajid Jamil	Partly completed		Joined & Resigned 2013-14
Mr. Mohammad Reza			
Roshani Moghaddam - (Iran)		✓	Resigned 2013-14

* Under clause xi of the Code of Corporate Governance - 2012.

** Awaiting Certification.



ORGANOGRAM



LEGENDS
 ————— Functional Reporting
 - - - - - Administrative Reporting



Chief Executive Officer's Performance Review

The Chief Executive Officer (CEO) is entrusted with the general management of the Company's business and affairs.

The performance of the CEO is reviewed by the Board annually in line with strategic direction, vision and objectives of the Company.

The CEO is appointed by the Board of Directors for a term of three years.



Shareholders' Information

Annual General Meeting

The Annual General Meeting of Security Papers Limited will be held on Friday, the August 29, 2014 at 11:00 AM at Hotel Ramada Plaza Karachi, Star Avenue, Terminal No.1, Jinnah International Airport, Karachi.

Eligible shareholders are encouraged to participate and vote.

Registered Office

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

Share Registrar

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

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Investor Relations Contact

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

Web Reference

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

Stock Exchange Listing

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

Karachi Stock Exchange Share Prices 2013-14			
Period	Price in Rupees		
	High	Low	Average
1st Quarter - 30 September 2013	82.00	50.70	66.35
2nd Quarter - 31 December 2013	71.65	48.92	60.29
3rd Quarter - 31 March 2014	79.89	59.00	69.45
4th Quarter - 30 June 2014	80.40	66.14	73.27

Shareholders' Information

Reporting

Period	Financial Results
1st Quarter - 30 September 2013	24 October 2013
2nd Quarter - 31 December 2013	31 January 2014
3rd Quarter - 31 March 2014	21 April 2014
4th Quarter - 30 June 2014	25 July 2014

Financial Results

The Board of Directors of the Company in their meeting held on 25 July 2014 has recommended the following:

Cash Dividend

Final cash dividend at the rate of Rs 3.50/- per share i.e. 35% in addition to the interim cash dividend already paid at the rate of Rs 1.50/- per share i.e. 15% making a total of Rs 5/- per share i.e. 50% for the ended 30 June 2014.

Issue of Bonus Shares

Issue of bonus shares in proportion of two (2) shares for every ten (10) shares held i.e. 20% for the year ended 30 June 2014.

Dividend Mandate [Optional]

As per Securities and Exchange Commission of Pakistan (SECP) Notification vide S.R.O. No.753 (I)/2012 dated 18th June 2012, 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. Both the forms are available on SPL's website: <http://security-papers.com>

Payment of Cash Dividend Electronically (Optional)

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

Printing of Computerized National Identity Card (CNIC) Number of Registered Member on the Dividend Warrant (Mandatory)

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

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

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



Shareholders' Information

- (i) CNIC [in case of Pakistani individual(s)]
- (ii) Passport Number [in case of Non-Resident individual(s)] or
- (iii) NTN Certificate [in case of corporate entities]

IMPORTANT:

Pursuant to the Finance Act 2014, all individuals/companies/association of persons whose CNIC/NTN is not included in the list of 'FILERS' available at Federal Board of Revenue's (FBR) website <http://www.fbr.gov.pk> are liable to deduction of tax at source at higher rate on dividend(s).

Delivery of the Unclaimed/Undelivered Shares

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

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

Investor Relations

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

Investor Grievance

Shareholders may freely lodge complain or grievance at the designated area on the Company's website <http://security-papers.com>. The link can be accessed via "Investor Information" tab.

Risk and Opportunity Report

Security Papers Limited (SPL) operates in a highly specialized market that has a unique set of challenges and opportunities that are influenced by a wide variety of internal, indigenous and external factors.

<p>STRENGTHS</p> <ul style="list-style-type: none"> • Being the sole supplier of reasonably priced and high quality banknote paper in Pakistan • Year to year order volumes result in an optimum utilization of capacity • Finely tuned internal processes relying on cumulative technical expertise of staff as well as the latest equipment resulting in a continuous improvement in manufacturing processes 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> • Dependence on quality of input raw materials which are sourced from external suppliers
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> • Expertise in all kinds of security papers means there is a lot of room for expansion into other markets • The paper manufactured meets all international quality standards and SPL can look into supplying abroad 	<p>THREATS</p> <ul style="list-style-type: none"> • Sales volume is largely dependent on the country's demand for banknotes • Energy requirements are immense and any disruption from external or internal sources will be detrimental to operations • Water is one of the main raw materials and its continued supply is vital for operations



Strategic Risks

Risks:

The Company is the sole supplier of high quality banknote paper in the country. A large portion of its manufacturing capacity is utilized by a single product. The sales volume and capacity utilization, therefore, become largely dependent on the demand for currency notes in the country. This also results in a high dependence on a single customer.

Mitigation:

The Company is constantly looking for new markets to expand into. Our unique strategic advantage is a deep, far reaching understanding of manufacture of high quality paper with unique and foolproof security features, and we are leveraging that expertise to offer a wide variety of products to various sectors and organizations. Currently we are either supplying or exploring the market for cheque paper, passport paper, parchment, degree, certificate and identification papers.

COMMERCIAL & OPERATIONAL RISKS

Risks:

We are dependent on various inputs that are inherently not influenced by the Company. These include comber, denim, chemicals, security thread, energy and water. We are also importing a large quantity of chemicals and equipment. Therefore cost competitiveness of our product is dependent upon pricing and consistent supply of material and equipment from a large number of internal and external suppliers.

Mitigation:

- We have a comprehensive supply chain management system that ensures supply of local raw materials. By constantly looking to expand our supply base we are in a position to regulate our inventory and costs effectively.
- We enter into contracts that largely guard the Company against stock out situations. This assures timely supply of the needed goods.
- We have recently undergone a restructuring of our power infrastructure that will provide a more consistent energy supply for uninterrupted operations.
- We already operate a Reverse Osmosis plant (RO) that caters to a large fraction of our needs. We are further exploring this option to augment this supply in a cost effective, sustainable and environmentally friendly manner.

FINANCIAL RISKS

Risks:

We are exposed to pricing fluctuations for our raw materials, based on local macroeconomic conditions, foreign currency fluctuations and market forces.

Mitigations:

- We enter into long term contracts with suppliers both local and foreign in order to guard against abrupt fluctuations in pricing and currency
- We make prudent investments to hedge against interest rate movements and create a steady source of alternative income

Policy for Actual and Perceived Conflicts of Interest

CONFLICT OF INTEREST POLICY

A conflict of interest may arise where an employee or an employee's spouse, child or close family member (such as a parent or sibling) has outside employment, financial or other participation, for example as an employee, director or consultant, in any business which is a contractor, supplier, or competitor of Security Papers Limited or is seeking to become one.

It is not possible to list all situations or relationships which may create a Conflict of Interest or the appearance of one, so each situation must be evaluated on its particular facts.

THEIR STANDARD

SPL employees must avoid conflicts of interest between their private activities and their part in the conduct of the Company business.

If employees intend to use knowledge, information, experience or position gained through their association with SPL to further themselves materially in some outside capacity, they have a duty to disclose that intention to SPL.

THEIR CONDUCT

Excuse oneself and anyone who works with them from making decisions that may create a conflict of interest with one's personal interests:

- Disclose in writing their line managers the relevant facts and explain the circumstances that create or could create a conflict of interest.
- Observe the restrictions in dealing in SPL securities
- Seek guidance from their line manager if they have any doubts about the confidentiality of information or the property of their ownership or dealings.
- Seek additional legal or financial guidance if they are a director of SPL or any associated company
- Conduct their relationship with contractors and suppliers in a professional, impartial and competitive manner
- Be aware that the acceptance of any offer of future employment, consultancy or directorship with a SPL contractor, supplier, competitor or business partner constitutes a potential conflict of interest.



Report of the Audit Committee

The Board is satisfied that Sheikh Mohammad Aijaz Akhtar has requisite experience and exposure to head the Committee and fulfil the requirements as per Code of Corporate Governance.

Regular attendees at the Committee, at the invitation of the Committee, included the Chief Financial Officer, functional heads, as well as representatives from external auditors. Other senior management officers are invited to attend when the business of the Committee requires as such. During the course of the year the Committee also held closed door meetings with external and internal auditors.

The Audit Committee is responsible for exercising the full powers and authority of the Board in accounting, financial reporting and operational matters as per terms of reference.

Items reviewed during the year included:

FINANCIAL REPORTING

The Committee reviewed the draft annual and interim management reports before recommending them to be put for approval before the Board. The Committee discussed with CFO and external auditors (as the case may be), the significant accounting policies, estimates and adjustments applied in preparing the accounts. The Committee also reviewed projections and budgets.

The Committee reviewed in detail the liquidity and going concern situation of the Company, as well as the Company's mechanism to monitor and mitigate these risks. The Company also was fully appraised about the working capital and liquidity situation continuously throughout the year.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Committee reviewed risk management process and discussed the inherent risks faced by the business. Risk management activities take place throughout the Company to support the Committee in its corporate governance responsibilities. The Committee discussed with the management how they evaluated the business risks and plans to continuously mitigate the uncertainties faced by it due to external factors.

The Committee has an ongoing process to review and appraise the effectiveness of the internal controls through reports, observations and other data submitted by Internal Audit department. During the year the Committee reviewed the risk based audit plan and ensured that Internal Audit had sufficient support and resources to carry out the plan. It considered reports for the Internal Audit team and summarizing the audit findings and recommendations and describing actions taken by management to address any shortfalls. It also reviewed the level and nature of outstanding audit weaknesses and issued instructions for the management to address the same.

It appraised the performance of Internal Audit team as well as its independence and objectivity and offered its guidance on appropriate occasions to further refine the process.

Management objectives and Strategies

The management's prime objective is to sustain a result oriented empowered and cross functionality focused Company. The objectives are determined to increase the retention value and reduction in cost. We are committed to enhance stakeholders' value. Priorities have been given to refine human resource policies and standard operating procedures. The Total Quality Management (TQM) function has been implemented that seeks to lower non-conformance costs through active focus on health, safety, environment, housekeeping and operation. The prime focus is on controlling production cost. The variable cost has been reduced due to efficient energy management and other cost reduction measures. There is no material change in Company's objective and strategies from the previous year.

Significant Resources

The Company has human, financial and technological resources backed by a team of professionals who have designed ways to improve and upgrade production process, networking and control systems. Value additions are continually made to human resource by extensive training and development program.

Liquidity and Capital Structure

The Company's liquidity has significantly improved with reduced payment cycle and prudent funds management. The Capital structure mainly consists of ordinary share capital and long term / short term debts. The management believes that there is no inadequacy in capital structure. During the year Company has paid off its long term debt totaling to Rs 200 million.

Non Financial Performance

The Quality of the product, customer's satisfaction, employees' development and professional standards are Company's key areas where management has taken necessary measures to improve upon. The Company is currently producing and supplying high quality products which ensure maximum satisfaction to the customers. During the year, the Company has conducted various training courses for the development of existing human capital. The Company is maintaining highly satisfactory relationship with all stakeholders. The Company has formed various Committees which are responsible for the effective monitoring of key areas.

Critical success factors

Of all the things that we have built, the most admirable is our team work. Our most enduring edge is the quality of banknote and other security paper.

Cost Control

Cost control is exercised through various performance reports wherein plans are compared with actual performance to identify variances for taking appropriate measures. We are producer of high quality security paper products. There is sharp focus on cost control in all spheres of activity.

Corporate Governance

SPL is an example of good corporate governance having materially complied with all of the provisions of the Code of Corporate Governance.

Critical Performance Measures

Following are some critical performance measures against stated objectives of the Company:

- Increase in retention
- Better debt equity structure
- Compliance with terms of all stakeholders
- Transforming itself into a company comparable to any best managed company
- Decrease in variable cost
- Increase shareholders' wealth
- Improvement in operational performance



Vision Statement

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



Mission Statement

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

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



Core Values

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

Strategic Goals

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



Code of ethics and business practices

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

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

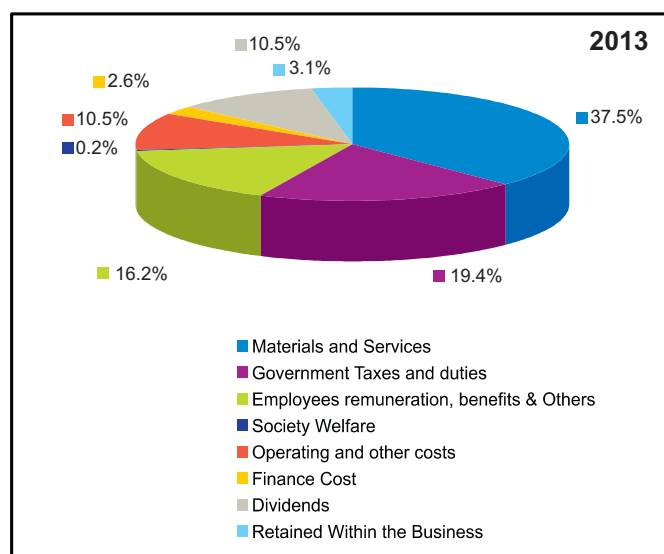
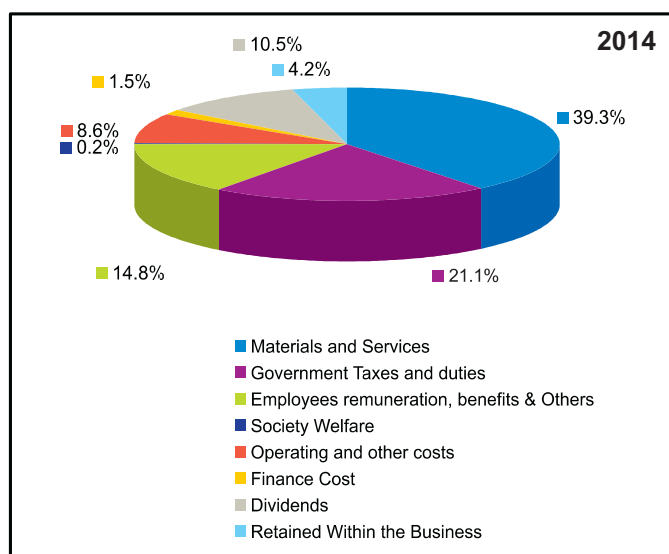
Training & Development





Statement of Value Addition and its Distribution

	2014	%	2013	%
..... (Rupees in '000)				
VALUE ADDITION				
Net Sales including Taxes	2,616,304	92.5%	2,155,145	91.5%
Other Operating Income	213,579	7.5%	200,437	8.5%
	2,829,883	100%	2,355,582	100%
VALUE DISTRIBUTION				
Materials and Services	1,110,804	39.3%	883,827	37.5%
Government Taxes and duties	596,227	21.1%	457,091	19.4%
Employees remuneration, benefits & Others	419,013	14.8%	380,640	16.2%
Society Welfare	5,295	0.19%	4,622	0.20%
Operating and other costs	242,237	8.6%	248,137	10.5%
Finance Cost	42,495	1.5%	61,033	2.6%
Dividends	345,660	12.2%	246,900	10.5%
Retained Within the Business	68,152	2.4%	73,332	3.1%
	2,829,883	100%	2,355,582	100%



Key Operating and Financial Data

PARTICULARS	2014	2013 Restated	2012 Restated	2011	2010	2009
Financial Position						
Fixed Assets - Net	1,929,736	1,958,464	2,111,951	1,713,993	1,244,364	1,264,704
Investments	1,451,031	582,209	577,710	-	-	-
Other Assets	14,561	14,359	24,188	17,436	17,258	16,257
3,395,328	2,555,032	2,713,849	1,731,429	1,261,622	1,281,461	1,281,461
Current Assets	1,505,967	2,253,237	2,040,164	2,564,953	2,372,344	2,166,062
Current Liabilities	746,833	640,477	540,372	520,822	367,021	337,016
Working Capital	759,134	1,612,760	1,499,792	2,044,131	2,005,323	1,829,046
	4,154,462	4,167,792	4,213,641	3,775,560	3,266,945	3,110,507
Less : Long Term Loan	172,863	331,543	482,112	327,214	9,435	6,685
Less: Deferred Liabilities	311,641	344,548	346,114	228,335	146,825	133,931
Net Assets	3,669,958	3,491,701	3,385,415	3,220,011	3,110,685	2,969,891
Paid-up-Capital	493,799	411,499	411,499	411,499	411,499	411,499
Reserves	3,176,159	3,080,202	2,973,916	2,808,512	2,699,186	2,558,392
Shareholders' Equity	3,669,958	3,491,701	3,385,415	3,220,011	3,110,685	2,969,891
Trading Results						
Sales - Net of taxes	2,236,019	1,856,926	1,570,912	1,303,019	1,152,511	1,129,070
Gross Profit	660,811	546,156	513,856	344,000	458,179	460,262
Profit after Admn. & General Expenses	495,992	383,841	370,675	215,188	353,466	384,834
Other Income	213,579	200,437	252,575	257,621	213,518	202,417
Finance & Other Cost	98,901	116,199	113,028	51,281	46,727	94,040
Profit before Tax	610,671	468,080	510,222	421,528	520,257	493,211
Taxation	198,814	147,848	132,121	106,452	172,166	161,056
Profit after Tax	411,857	320,232	378,101	315,076	348,091	332,155
Investors Information						
Dividend *						
Cash - Value	246,900	164,600	246,900	205,750	205,750	205,750
Cash - %	50.00%	40.00%	60.00%	50.00%	50.00%	50.00%
Bonus - Value	98,760	82,300	-	-	-	-
Bonus - %	20.00%	20.00%	-	-	-	-
Profit retained in Business - Value	66,197	73,332	131,201	109,326	142,341	126,405
Retention - %	16.07%	22.90%	34.70%	34.70%	40.89%	38.06%
Profitability Ratios						
Gross Profit to Sales %	29.55%	29.41%	32.71%	26.40%	39.75%	40.76%
EBITDA (Rs '000)	850,145	723,535	705,114	549,987	636,622	598,791
EBITDA Margin to Sales %	38.02%	38.96%	44.89%	42.21%	55.24%	53.03%
Profit before Tax to Sales %	27.31%	25.21%	32.48%	32.35%	45.14%	43.68%
Profit after Tax to Sales %	18.42%	17.25%	24.07%	24.18%	30.20%	29.42%
Return on Equity - before tax %	16.64%	13.41%	15.07%	13.09%	16.72%	16.61%
Return on Equity - after tax %	11.22%	9.17%	11.17%	9.78%	11.19%	11.18%
Return on Capital Employed %	10.72%	8.38%	9.78%	8.88%	11.16%	11.16%
Activity / Turnover Ratios						
Return on Assets - before tax %	12.46%	9.73%	10.73%	9.81%	14.32%	14.31%
Return on Assets - after tax %	8.40%	6.66%	7.95%	7.33%	9.58%	9.63%
Total Assets Turnover %	45.62%	38.62%	33.04%	30.33%	31.71%	32.75%
Stock Turnover - (In Times)	4.23	3.23	2.78	2.68	2.24	2.50
Stock Turnover - No. of Days	86	113	131	136	163	146
Debtor turnover Ratio - No. of Days	41	52	68	63	68	78
Creditor turnover Ratio - No. of Days	31	31	30	26	35	42
Operating Cycle	96	134	169	174	196	182
Liquidity Ratios						
Current Ratio	2.02:1	3.52:1	3.78:1	4.92:1	6.46:1	6.43:1
Quick Ratio	1.57:1	2.88:1	3.03:1	4.24:1	5.49:1	5.65:1
Cash to Current Liabilities	0.11:1	0.06:1	0.03:1	0.07:1	0.14:1	0.35:1
Cash flow from operations to Sales	0.23:1	0.26:1	0.17:1	0.18:1	0.25:1	0.26:1
Capital Structure Ratios						
Long Term Debt to Equity	0.05:1	0.09:1	0.14:1	0.10:1	0.00:1	0.00:1
Long Term Debt to Asset	0.04:1	0.07:1	0.10:1	0.08:1	0.00:1	0.00:1
Debt Equity Ratio	0.05:1	0.09:1	0.14:1	0.14:1	0.14:1	0.14:1
Interest cover ratio	20:1	12:1	16:1	86:1	340:1	335:1
Weighted Average Cost of Debt	9.69%	10.43%	13.28%	15.73%	12.82%	19.16%
Investment / Market Ratios						
No. of Shares in Issue - No.	49,380	41,150	41,150	41,150	41,150	41,150
Bonus Shares Issued - No.	-	8,230	-	-	-	-
Cash Dividend per share (Rs.)	6.00	4.00	6.00	5.00	5.00	5.00
Earning per share - before tax (Rs.)	12.37	9.48	10.33	8.54	10.54	9.99
Earning per share - after tax (Rs.)	8.34	6.49	7.66	6.38	7.05	6.73
Break-up value per share (Rs.) :						
- Without Surplus on Revaluation on Fixed Assets	74.32	70.71	68.56	65.21	62.99	60.14
- With Surplus on Revaluation on Fixed Assets						
Price Earning Ratio - Year end Price (Rs.)	8.39	8.61	4.79	5.29	5.08	6.19
Earning Yield - Year end Price %	11.92%	9.68%	17.40%	15.75%	16.40%	13.45%
Dividend Payout %	83.93%	77.10%	65.30%	65.30%	59.11%	61.94%
Dividend Yield - Year end Price %	10.00%	8.96%	13.64%	12.35%	11.63%	10.00%
Dividend Cover - Times	1.19	1.30	1.53	1.53	1.69	1.61
SHARE PERFORMANCE						
Share Price - Highest (Rs.)	82.00	73.00	47.85	50.40	64.71	83.50
Share Price - Lowest (Rs.)	48.92	43.10	31.20	34.00	39.50	35.50
Share Price - Average (Rs.)	65.46	58.05	39.52	42.20	52.11	59.50
Share Price - At year end (Rs.)	70.00	66.99	44.00	40.50	42.99	50.00
Market Capitalization - Year end Price - (Rs '000)	3,456,592	2,756,632	1,810,596	1,666,571	1,769,034	2,057,495
Turnover of shares	4,603,000	3,293,458	2,239,201	2,215,905	2,383,636	1,068,200
PRODUCTION (Ton)						
Actual Production						
Banknote Paper	1,714	1,513	1,243	1,199	1,423	1,424
Non-Banknote Paper	691	668	418	203	164	300
Total	2,405	2,181	1,661	1,402	1,587	1,724
SALES (Ton)						
Banknote Paper	1,686	1,516	1,241	1,433	1,416	1,415
Non-Banknote Paper	713	610	419	189	171	293
Total	2,399	2,126	1,660	1,622	1,587	1,708
CASH FLOW SUMMARY						
Cash Flows from Operating activities	519,619	476,555	263,604	234,684	286,335	288,243
Net cash used in investing activities	(93,086)	(81,122)	(319,519)	(441,575)	(144,602)	(421,147)
Net cash used in financing activities	(380,565)	(374,685)	34,821	194,726	(211,364)	(105,782)
Cash and cash equivalents at beginning of the year	37,245	16,497	37,592	49,757	119,388	358,074
Cash and cash equivalents at end of the year	83,213	37,245	16,498	37,592	49,757	119,388

* Proposed cash dividend of Rs.172.83 million (i.e. Rs 3.50/- per share) and bonus issue of 20% are reflected in the above data as referred to in note 38 of the financial statements.

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



Horizontal Analysis

BALANCE SHEET

	2014	2013	2012	2011	2010	2009
Non-current assets						
Property, plant and equipment	(1.47%)	(7.27%)	23.22%	37.74%	(1.61%)	4.95%
Long-term deposits	1.41%	(40.64%)	38.72%	1.03%	2.99%	2.83%
Investments	149.23%	0.78%	100%	0.00%	0.00%	0.00%
Current assets						
Stores, spares and loose tools	3.22%	(1.72%)	32.17%	(9.82%)	17.19%	12.21%
Stock-in-trade	(17.53%)	1.51%	12.57%	(0.14%)	36.86%	(4.39%)
Trade debts - considered good	4.21%	(16.77%)	0.47%	60.75%	(30.06%)	9.90%
Advances, deposits, prepayments and other receivables	22.40%	(20.21%)	57.49%	(59.34%)	(31.82%)	2.02%
Accrued mark-up	141.58%	1.45%	(90.91%)	101.05%	285.03%	219.41%
Loans, receivables & Investments	(56.38%)	20.35%	(19.40%)	(4.45%)	6.39%	19.68%
Cash and bank balances	123.42%	125.77%	(56.12%)	(24.45%)	(28.29%)	(56.10%)
Total assets	2.21%	0.84%	10.69%	18.23%	5.41%	7.92%
LIABILITIES						
Current liabilities						
Current portion of Long term liabilities - Lease/Loan	0.37%	1.83%	76.09%	4334.33%	26.34%	23.24%
Trade and other payables	17.17%	15.35%	9.19%	46.81%	13.05%	19.01%
Accrued mark-up on short term finance - secured	(28.86%)	(37.22%)	35.80%	10,376.89%	544.44%	125.00%
Taxation - net	25.74%	1859.29%	(95.98%)	(32.71%)	2.76%	(3.64%)
Non-current liabilities						
Liabilities against asset subject to finance lease	31.31%	(3.04%)	(26.19%)	19.85%	41.14%	37.89%
Long Term Finance	(49.84%)	(31.73%)	49.97%	100.00%	0.00%	0.00%
Deferred taxation - net	(6.82%)	(4.40%)	53.22%	55.52%	9.63%	46.17%
Total liabilities	(6.97%)	(2.91%)	26.66%	105.70%	9.56%	17.38%
NET ASSETS	5.71%	2.34%	5.35%	3.51%	4.74%	6.54%
Issued, subscribed and paid-up capital	20.00%	0.00%	0.00%	0.00%	0.00%	20.00%
General reserve	0.28%	5.06%	4.37%	6.05%	5.69%	6.00%
Unappropriated profit	28.61%	(15.39%)	20.10%	(9.47%)	4.77%	11.66%
Surplus on re-measurement of investments classified as 'available for sale'	270.01%	100.00%	0.00%	0.00%	(100.00%)	(96.80%)
SHAREHOLDER'S EQUITY	5.71%	2.34%	5.35%	3.51%	4.74%	6.54%
Total liabilities & Shareholder Equity	2.21%	0.84%	10.69%	18.23%	5.41%	7.92%

Profit & Loss Account

Sales - net	20.42%	18.21%	20.56%	13.06%	2.08%	10.24%
Cost of sales	20.17%	24.00%	10.22%	38.12%	3.82%	19.92%
Gross profit	20.99%	6.29%	49.38%	(24.92%)	(0.45%)	(1.34%)
Administration and general expenses	1.54%	13.36%	11.16%	23.01%	38.83%	22.26%
Other operating income	6.56%	(20.64%)	(1.96%)	20.66%	5.48%	80.18%
Other operating charges	2.25%	(20.99%)	65.55%	(2.41%)	(51.20%)	126.08%
Impairment loss on 'available for sale' investment	0.00%	0.00%	(100.00%)	67.03%	(55.75%)	100.00%
Operating profit	23.45%	(4.39%)	29.34%	(18.05%)	5.48%	3.56%
Finance costs	(30.37%)	41.24%	578.25%	239.79%	4.92%	239.09%
Profit before taxation	30.46%	(8.26%)	21.04%	(18.98%)	5.48%	3.30%
Taxation - net	34.47%	11.90%	24.11%	(38.17%)	6.90%	(10.54%)
Profit after taxation	28.61%	(15.31%)	20.00%	(9.48%)	4.80%	11.68%

Vertical Analysis

BALANCE SHEET

ASSETS

	2014	2013	2012	2011	2010	2009
Non-current assets						
Property, plant and equipment	39.37%	40.84%	44.41%	39.89%	34.24%	36.68%
Long-term deposits	0.30%	0.30%	0.51%	0.41%	0.47%	0.49%
Long Term Investments	29.61%	12.14%	12.15%	-	-	-

Current assets

Stores, spares and loose tools	2.36%	2.34%	2.40%	2.01%	2.63%	2.37%
Stock-in-trade	6.87%	8.51%	8.46%	8.32%	9.85%	7.58%
Trade debts - considered good	5.80%	5.69%	6.90%	7.60%	5.59%	8.42%
Advances, deposits, prepayments and other receivables	0.29%	0.24%	0.31%	0.21%	0.62%	0.97%
Accrued mark-up	1.54%	0.65%	0.65%	7.89%	4.64%	1.27%
Loans, receivables & Investments	12.17%	28.51%	23.88%	32.80%	40.58%	40.21%
Cash and bank balances	1.70%	0.78%	0.35%	0.87%	1.37%	2.01%

Total assets

100%	100%	100%	100%	100%	100%	100%
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LIABILITIES

Current liabilities

Current portion of long term liabilities	3.38%	3.44%	3.41%	2.14%	0.06%	0.05%
Trade and other payables	9.85%	8.59%	7.51%	7.61%	6.13%	5.71%
Accrued mark-up on short term finance - secured	0.08%	0.11%	0.17%	0.14%	0.00%	0.00%
Taxation - net	1.93%	1.57%	0.08%	2.23%	3.91%	4.01%

Non-current liabilities

Current portion of lease liabilities	0.22%	0.17%	0.18%	0.26%	0.26%	0.19%
Long Term Finance	3.31%	6.75%	9.96%	7.35%	0.00%	0.00%
Deferred taxation - net	6.36%	6.97%	7.36%	5.31%	4.04%	3.88%

Total liabilities

25.12%	27.60%	28.67%	25.05%	14.40%	13.85%
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NET ASSETS

74.88%	72.40%	71.33%	74.95%	85.60%	86.15%
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Issued, subscribed and paid-up capital	10.07%	8.58%	8.65%	9.58%	11.32%	11.94%
General reserve	55.94%	57.01%	54.72%	58.03%	64.70%	64.53%
Unappropriated profit	8.40%	6.68%	7.96%	7.33%	9.58%	9.64%
Surplus on re-measurement of investments classified as 'available for sale'	0.46%	0.13%	0.00%	0.00%	0.00%	0.04%

SHAREHOLDER'S EQUITY

74.88%	72.40%	71.33%	74.95%	85.60%	86.15%
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Total liabilities & Shareholder Equity

100%	100%	100%	100%	100%	100%
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Profit & Loss Account

Sales - net	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of sales	70.45%	70.59%	67.29%	73.60%	60.25%	59.24%
Gross profit	29.55%	29.41%	32.71%	26.40%	39.75%	40.76%
Administration and general expenses	7.37%	8.74%	9.11%	9.89%	9.09%	6.68%
Other operating income	9.55%	10.79%	16.08%	19.77%	18.53%	17.93%
Other operating charges	2.52%	2.97%	4.44%	3.24%	3.75%	7.84%
Impairment loss on 'available for sale' investment	0.00%	0.00%	0.00%	0.21%	0.14%	0.33%
Operating profit	29.21%	28.49%	35.23%	32.84%	45.30%	43.84%
Finance costs	1.90%	3.29%	2.75%	0.49%	0.16%	0.16%
Profit before taxation	27.31%	25.21%	32.48%	32.35%	45.14%	43.68%
Taxation - net	8.89%	7.96%	8.41%	8.17%	14.94%	14.26%
Profit after taxation	18.42%	17.25%	24.07%	24.18%	30.20%	29.42%



The background of the slide is a soft, out-of-focus photograph. It shows a person's hand holding a pen, positioned as if about to write on a document. The lighting is warm and the colors are muted, creating a professional and focused atmosphere.

Management Review



Production

Following are the achievements of the Production department during the year under review:

- As part of diversification program, Child Registration Certificate was successfully manufactured and supplied to the National Database and Registration Authority as per their specifications
- Online pH-Meters were installed for online monitoring of pH of pulp to enhance paper properties
- 100% wood pulp trail was successfully completed first time in the history of the Company with all physical and chemical properties within the specification
- Process advancement due to which plant production speed significantly improved and maintained
- Capacity management.
- The operation of Broke Re-pulping Plant was improved to include all types of broke cycling including machine broke, wet broke, and guillotine cutting
- 100% in-house sorting of comber reducing spoil percentage up to 4 - 5%
- Implemented total quality management tools including brain storming, Define, Measure, Analyze, Improve and Control (DMAIC), continuous improvement techniques and getting encouraging feedback from the customer which improved the mutual trust and confidence.
- Use of improved techniques of counseling and motivation which remarkably improved efficiency level of workforce
- Use of energy conservation tools and techniques to optimize energy consumption
- Reduction in the cost of chemicals through research and development

Engineering

Following are the important jobs attended by Engineering department during the year under review to further improve the plant efficiency:

- Rehabilitation of Short Former section of Paper Mill
- Recycling of rejected water of Reverse Osmosis (RO) plant
- 30,000 hours major overhauling of Gas Engines
- Complete renovation work of Quality Assurance / Research & Development department
- Renovation work of Finance department
- Tasks In Progress:
 - Construction of building for installing Dry Cleaning equipments
 - Procurement of equipment for Dry cleaning project
 - Execution of Independent Power Distribution Networking System
 - Installation of automatic thread unwind and feeding system
- Future Plans:
 - Enhancement in capacity of existing RO plant from 0.5 million gallon per day (MGD) to 0.75 MGD
 - Induction of new Chiller to enhance capacity of AC Plant



Quality Assurance / Research & Development

Quality Assurance

The Quality Assurance / Research & Development (QA/R&D) department has a robust Quality Management System in place for ensuring long term sustainable development of product quality in order to fulfil customer requirements and satisfaction. QA/R&D has developed its own Quality Plan to test and analyze the incoming raw materials against the developed standard specifications. We monitor and ensure that all procedures are followed during all stages of manufacturing from raw material to final finished product.

Research & Development

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

- QA/R&D department developed and implemented the improved / modified recipes in order to avoid customer's complaints and to ensure elimination of feathering effect phenomena in Non Judicial (NJ) and Impressed Court Fee (ICF) Stamp paper and other security papers
- QA/R&D department with the coordination of Production department, has been successful in reducing the cost of processing chemicals and decreasing spoil in Machine House and Finishing department
- An improved formula has been developed for products such as cheque and machine readable national passport paper which conforms to customer's requirement

Process Systems

Process Systems department has contributed to the Company bottom line profits by identifying areas of improvement and launching process loss reduction projects with cross functional teams from operations to achieve the results in very short time. It is responsible for setting up of structured systems into the production process so that the parameters of the final and interim product produced in the factory are uniform throughout the batch run.

In this regards the Process Systems department has taken a number of initiatives like:

- Installation of display boards depicting production target and month to date runs to know the total and current picture of production
- Introduced positive control plans called Positrols for every type of product produced so as to specify the role and responsibilities of each individual responsible for control of particular parameter. This ensures delegation of authority and responsibility to the individuals on floor
- Introduction of personnel performance displays on floor to identify the out shiners from the rest, inculcating a culture of competition and pride at workplace.
- Identified areas of improvements in process from past records and launched improvement projects resulting in significant process waste reduction.



Information Technology

The IT department is committed to provide seamless services to all departments of the factory to run unhindered operationally.

During the year a computer inventory survey was conducted on a Company wide basis. The objective was to identify and overcome hardware and software technology gap. Based on the findings of the survey, some outdated equipments have already been replaced while some other is on way to being replaced. This will improve efficiency of the IT based operations on a continuing basis.

The IT department is working on a vision to have a paperless environment. To achieve this objective, the following steps have been taken:

- Most of the factory documentation has been converted to online reports
- Intranet portal has been launched to provide each user the ability to launch requests and complains
- The Management Information System of the Company is Oracle based which has been developed in-house. It covers major areas of accounting cycle like Purchase, Inventory, Accounts Payable, Sales & Receivables, General Ledger, Human Resource Information System, Payroll and Fixed Assets. The manufacturing cycle is now being worked upon. The inclusion of manufacturing cycle will give the management real-time information about the work in process, balance inventory, production figures and process losses
- More recently Vehicle Management Information System (MIS) has been added for maintaining record and track of Company maintained vehicles

The IT department aims to support the development of communication and information tools and systems for business integration, management of logistics and operations within the organization. The IT governance policy is intended to facilitate the smooth and consistent running of systems and services in support of this aim. Strategic directions and goals of IT governance policy are:

- Achieve advanced levels of presenting and organizing information to increase satisfaction and productivity
- Accomplish substantial enhancements to the information technology infrastructure and facilities to meet and lead expectations
- Improve and refine information technology security to preserve and protect assets and functionality
- Develop a continuous cycle of improvement for SPL information technology to meet current and future requirements
- Provide high quality training and support for the use of information technologies to assure productivity and efficiency



Security

1. General

Security remained the foremost concern during the year owing to the prevailing law and order situation in the country. Recognizing this as a serious challenge, the department has taken various steps in acquiring newer and latest technology in addition to reviewing the existing system. The objective is to ensure security of our product and premises against any pilferage, theft or sabotage. Special measures have been taken to counter terrorist activities by training of personnel and upgrade of security system.

2. Training

During the year two in-house training sessions were held through Civil Defence Authorities with the aim to train maximum number of employees in "Basic Fire Fighting & First Aid".

3. Emergency Response Practice & Evacuation Drill

During the year two un-announced emergency response practice and evacuation drills were carried out for all departments, which have increased the confidence and improved the skills of employees. Besides that, sectional heads were also briefed to play their role more effectively in case of an emergency.

4. Re-Survey of Security Systems

The Provincial Survey Team of Special Branch Sindh, Karachi visited the Factory to check the security procedure and arrangements. The Company has been graded "VERY GOOD" by the Inspection Team.

5. Infrared Beam Sensor

To reinforce and strengthen existing security measures, infrared beam sensor devices have been installed in "High Security Zone".

6. Outer Parameter Fence Security Lights

The outer parameter fence is erected in front of the Factory premises and adequate security lighting has been installed along physical structure to improve security surveillance during night.

7. Upgrade of CCTV, Access Control & Fire Alarm Systems

The following upgrade in Closed Circuit Tele Vision (CCTV), Access Control System & Fire Alarm System has been carried out to keep the said systems effective:

- CCTV System

Some new cameras, monitors and related equipments have been installed at the required places to enhance security surveillance.

- Access Control System

The Access Control System was also upgraded. A new backup system, motorized door and electronic lock were installed.

- Fire Alarm System

Moreover some new smoke detector, sounder, manual call point and fire ray beam detectors were installed or replaced at various locations of the factory.

Security

8. Upgrade of Fire Equipment

The existing Fire Section of the Company is well equipped. However, during the year some fire related equipments were upgraded / replaced with latest models for improving efficiency and effectiveness.

9. Fire Suppression System (FM - 200) in MCC Room

An environment friendly fire suppression system (FM-200) is being installed in Motor Control Cabinet (MCC) Room where critically important electronic devises and control panels are housed to control the production process.

The fire suppression system works hand-in-hand with state-of-the-art detection to identify and extinguish a fire hazard long before substantial fire damage can occur. FM-200 does not leave harmful or messy residues that could damage delicate electronic and data processing equipment. FM-200 reacts quickly at low concentrations to extinguish fire.

10. Upgrade of Telephone Exchange

The existing intercom telephone exchange is upgraded to improve its efficiency in handling increased requirements.

11. Biometrics

To strengthen the existing security system and for better control on the security staff a biometrics system is being installed at four locations. The system will be installed in more locations during the next year.

12. Extension of Height of Northern Side Boundary Wall

The northern side boundary wall of the Factory is being raised to further enhance security and safety of the premises on the recommendation of Provincial Survey Team.

Supply Chain

The Financial Year 2013-14 saw Supply Chain (SC) department playing a key role in contributing towards Company objectives and targets not only on the procurement and inventory management side but also had an important role in the diversification efforts of the organization when the Company was able to get a sizeable order of Child Registration Certificate (CRC) from National Database Registration Authority (NADRA).

The SC department ensured effective and smooth functioning of all its key areas like material planning, procurement, storage and most importantly the coordination with our customers to meet their requirements.

The Supply Chain department as always, kept a close focus on the market trend in terms of pricing / availability of comber which is our main raw-material and the purchasing was effectively timed to ensure maximum benefit to the organization. Similarly stocks were built in a manner that gave us the flexibility to prevent ourselves from any adverse affect of demand / supply conditions of comber and other raw material in the market.

This year we came up with new sourcing of national / international suppliers for some of the key materials which again helped us to remain economical as well as ensured that the quality of the supplies remained within the parameters defined by us.

A pre-requisite for our successful functioning is to ensure uninterrupted supply of raw materials, allied items, and engineering spares etc, at most competitive prices for smooth operation of Plant. As such, there was no single incidence of production disruption due to any delay / non-supply / shortage of required material. Similarly the SC department kept a close monitoring on the stock levels so that the Company's resources could be conserved.

Work on new projects is an on-going upgrading activity and the SC department was throughout involved in playing its role to ensure that all time-lines set by the Management is met. The process involved import of heavy / sophisticated / precision machinery and equipments. The SC department ensured timely clearance of all such consignments.

The effort to contribute our part for the success of the organization was done with a combined effort of all our team members and certainly our team is fully motivated and geared up to perform even better in future with the same zeal and enthusiasm as was done in the preceding year. The main focus will remain to ensure ultimate benefit for the organization as well as to all the stakeholders.



Health Safety and Environment

The Management Representative

As part of its commitment, the management has appointed Management Representative to ensure that processes needed for Integrated Management System (Occupational Health and Safety, Environment and Quality) are established, implemented and maintained as per recognized standards.

The performance of Integrated Management System is being reported to top management for review and used as the basis of continual improvement targeting Company's objectives and goals, covering all critical areas of organization including Operational Management.

The integrated reporting for sustainable growth is focused to address most critical economical, environmental and social Issues through appropriate risk management.

The Integrated Management System

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

We make objective and time based efforts for reducing and eliminating unsafe and unhealthy work practices / conditions. A comprehensive systematic documented system has been established to ensure Health, Safety, Fire, Hygiene and Security.

All processes and code of practices compliance are monitored, audited and verified through periodic inspections, internal as well as surveillance third party audits by independent certification body.

A detailed Occupational Health and Safety Hazards Identification and Risk assessment and Controls (HIRC) is performed for normal, abnormal and emergency situations (covering routine and non-routine activities and natural disasters) within organization as evaluation of compliance of established standards and legal requirements including Factories Act 1934.

A classified incident reporting with investigation and analysis and follow-up for corrective / preventive measures is taken to mitigate and eliminate the possible risks and hazards. Records are also being maintained.

Safety Week

To activate and enhance the Health and Safety awareness a Safety Week has been organized under the theme "Safety is in my hand" to involve the people.

b) Environment Management System (ISO 14001: 2004)

We have been maintaining and improving Environmental Management System in a comprehensive, systematic, planned and documented manner.

Setting goals for compliance with regulatory standards such as National Environmental & Quality Standards (NEQS) and Environment Protection Agency (EPA) and reduction of solid, liquid and gaseous wastes, in line with global practices, a detailed environmental aspect and impact analysis and risk assessment has been performed and complied through effective inspection and process controls, including liquid effluent treatment and controlled disposal of solid /stack emission.

Health Safety and Environment

Best Environmental Reporting Award 2013

In order to demonstrate commitment to Environmental Preservation and Effective Management, the Company has published an award Winning Report for the year 2013.

In the current scenario of international crisis and uncertainty, the role of the Environment Management System became even more important to come out with the options which could create maximum benefit for the organization and eco system.

c) Quality Management Systems (ISO 9001:2008)

A documented Quality Management System has been established and maintained to determine processes needed for their application throughout the organization, and continually improvement of its effectiveness to manufacture products as per agreed specifications of customers.

Criteria and methods for both operational and controls have been determined. The objective is to ensure the availability of resources and information to support the operations and monitoring of processes. All actions necessary to achieve planned results and continual improvement of processes have been effectively implemented for customer's satisfaction.

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



Finance & Accounts

The Finance & Accounts (F&A) department provides cost effective and efficient management accounting and financial management services to all the stakeholders. During the year under review the Finance & Accounts contributed to the management and improvement of the Company s' operations by measuring and reporting regularly on key numbers critical to the success of the organization.

The department is driven by the highest standard of quality, integrity leadership and teamwork. The department strives to be exemplary in all activities encouraging growth and development within the Company. The department aims to make the best decisions collectively in the best interest of the Company. The department renders support and service to the line management with following key performance areas.

- Provide strategic financial information for management decision making
- Preparation and issuance of the quarterly and annual financial statements
- Compliance to applicable statutes regulations and IFRS
- Develop and maintain effective systems of internal and financial control
- Advise on the financial and tax implications of business decisions
- Preparation and maintaining of annual budget and forecast
- Treasury and funds management
- Tax planning, product pricing, cost reduction and cost control
- Strive for overall corporate health
- Cost effectiveness and profit improvement
- Control of expenditure and economy measures
- Responding to changing requirements and priorities

The Finance and Accounts department is committed to maintain highest standards of ethics and professionalism and play a proactive role in achieving Company's objectives. With dedication and teamwork the department will continue to add value, face new challenges and to exceed the expectations of the management and all the stakeholders.

Internal Audit

Internal Audit (IA), in line with Internal Audit Charter and Internal Audit Manual duly approved by the Board of Directors (BoD), assists the Board Audit Committee (BAC) in carrying out its mandate of monitoring business performance, strategic planning and keeping an eye on compliance and internal controls.

The General Manager (GM) Internal Audit (IA) reports directly to the Chairman of Board Audit Committee, who is an independent, non-executive Director. As such, all the procedures carried out by IA are under the direct instruction and supervision of BAC and the Management of the Company does not have any influence on the same at any stage.

IA monitors, analyses and reports on critical areas such as production efficiency, raw material costs, profitability, inventory management and compliance. IA is also involved in a comprehensive pre-audit procedure covering procurements, capital expenditures and all payments. IA works in accordance with an annual audit plan covering all departments of the Company. The practices of the department are governed by an Internal Audit Manual which aims to bring the same in line with the latest Internal Auditing Standards as issued by Institute of Internal Auditors, USA and other best practices.

IA has also added considerable value to the Company's operations by advising on various affairs and providing guidance and assistance in the areas of compliance and efficiency. There have been several instances where the Company has experienced genuine value addition and material gains as a result of IA procedures.

As per BAC's instructions, IA is currently going through a transition of its business model to a post-audit based approach. This approach envisages the use of self assessment checklists by all departments and usage of risk registers by IA as a tools to monitor and mitigate risks relating to every process in the organization. The post audit model will ensure that IA is completely independent and objective by conducting monthly sample-based audits of all transactions and MIS information, and is expected to inculcate control self assessment culture within all functions of the organization, resulting in 'total quality approach' to compliance. This transition envisages a scenario where compliance to regulatory and internal criteria is ensured by process owners at every stage and the efficacy of the same is monitored by IA through post audits.

The head of the Internal Audit department reviews and reports to the Chairman 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 & Administration

Human Resource & Administration (HR&A) department is committed to the development and well-being of its employees. The goal is to recruit and retain professionals that possess the competencies and skills required for the Company to implement its strategy. In the year under review the Company has inducted new blood to further maximize the efficiency and professionalism.

During the year HR&A department introduced newsletter, which published quarterly. The newsletter provides readers the information about the progress, recent achievements, future plans, latest news etc.

Training & Development

Training and career development plays vital role for a progressive organization. It helps in enhancing the efficiency of employees. Establishing an environment conducive to learning is a critical aspect of training sessions. For better training and development of employees, the HR&A department have developed an exclusive in-house Training Room with all the necessary tools.

The Company encourages employees to develop their skills and professionalism in a variety of ways. During the year under review a number of external and in-house training sessions were conducted with successful learning outcomes. This practice will continue in future.

Health & Safety Week

First Safety week was organized at SPL during the second quarter of this year. During this week following activities took place:

- Quiz and rewards / best safety officers' awards
- Occupational Safety & Health related videos / presentations / sharing of best practices in the industry
- Safety Day Banners at different locations.
- Half-day training on HSE-Hearts & Minds
- Emergency mock drills



Corporate

During the year under review compliance was ensured in all material respect with corporate legal requirements applicable to the Company and most of the corporate activities were completed much earlier than the legally allowed time frame.

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

All matters related to the shareholders were quickly disposed. No shareholder related issues remain unresolved.

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



Statement of Compliance with the Code of Corporate Governance

Name of Company: **Security Papers Limited**
Year Ended: **30 June 2014**

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 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:

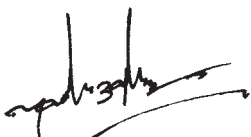
Name of Director	Category of Director		
	Independent (01)	Non-Executive (10)	Executive (01)
Mr. Mustapha A. Chinoy		✓	
Sheikh Mohammad Aijaz Akhtar	✓	✓	
Mrs. Ayla Akin - (Turkey)		✓	
Mr. Jamal Nasim		✓	
Mr. Mazhar-ul-Hassan Shah		✓	
Mr. Rizwan Ahmed		✓	
Mr. Kazi Abdul Muktadir		✓	
Mr. Muhammad Misbah Tunio		✓	
Mr. Ajaz Ali Khan		✓	
Mr. Abolghassem Jamshidi		✓	
Mrs. Naiyer Muzafar Husain			✓

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution (DFI) or an Non-Banking Financial Institution (NBFI) or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy had occurred during the period under review. The said vacancy was filled up within 65 days.
5. The Company has prepared a 'Statement of Ethics and Business Practices' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policy and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/Shareholders.
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 firsthand knowledge on the working of the Company. Three directors of the Company have completed Directors' Training Program during the period under review. In addition one director 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 five members, of whom all are non-executive directors and the Chairman of the Committee is an independent director who meets the criteria of independence under clause i (b) of the CCG.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises five members, of whom four are non-executive directors and the Chairman of the Committee is a non-executive director.
18. The Board has set-up an effective internal audit function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review 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 Officer

Karachi
Dated: 25 July 2014



Financial Statements



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



Building a better
working world

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Security Papers Limited** (the Company) for the year ended **30 June 2014** to comply with the requirements of Listing Regulation No. 35 Chapter XI of Karachi Stock Exchange Limited, where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended **30 June 2014**.


Chartered Accountants

Date: 25 July 2014

Place: Karachi

Auditors' Report to the Members



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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 2014** 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. The financial statements of the Company for the year ended 30 June 2013 were audited by another firm of chartered accountants who expressed an unqualified opinion on those financial statements in their audit report dated 31 July 2013.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for changes as stated in note 3.1 to the accompanying financial statements with which we concur; ;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2014 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.


Chartered Accountants
Audit Engagement Partner: Shariq Ali Zaidi
Date: 25 July 2014
Karachi



Balance Sheet

As At 30 June 2014

	Note	2014	2013	2012
		(Rupees in '000)		
			(Restated)	(Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	4	1,929,736	1,958,464	2,111,951
Long-term deposits	5	14,561	14,359	24,188
Long-term investments	6	1,451,031	582,209	577,710
		3,395,328	2,555,032	2,713,849
Current assets				
Stores, spares and loose tools	7	115,715	112,101	114,067
Stock-in-trade	8	336,654	408,215	402,159
Trade debts - considered good	9	284,402	272,925	327,903
Advances, deposits, prepayments and other receivables	10	14,193	24,473	12,891
Accrued mark-up	11	75,514	31,258	30,812
Investments	12	596,276	1,367,020	1,135,835
Cash and bank balances	13	83,213	37,245	16,497
		1,505,967	2,253,237	2,040,164
Total assets		4,901,295	4,808,269	4,754,013
LIABILITIES				
Current liabilities				
Trade and other payables	14	482,556	394,730	366,092
Accrued mark-up		3,686	5,181	8,252
Current maturity of long term loan	16	161,214	161,214	158,792
Current portion of liabilities against asset subject to finance lease	17	4,549	3,939	3,387
Taxation - net		94,828	75,413	3,849
		746,833	640,477	540,372
Non-current liabilities				
Long term loan	16	162,237	323,451	473,766
Liabilities against asset subject to finance lease	17	10,626	8,092	8,346
Deferred taxation - net	18	311,641	344,548	346,114
		484,504	676,091	828,226
Total liabilities		1,231,337	1,316,568	1,368,598
NET ASSETS		3,669,958	3,491,701	3,385,415
FINANCED BY:				
Authorised share capital 70,000,000 (2013: 70,000,000) ordinary shares of Rs 10 each		700,000	700,000	700,000
Issued, subscribed and paid-up capital	19	493,799	411,499	411,499
Capital reserve		22,563	6,098	-
Revenue reserve		3,153,596	3,074,105	2,973,916
SHAREHOLDER'S EQUITY		3,669,958	3,491,701	3,385,415
Contingencies and commitments	20			

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

Naiyer Muzafar Husain
Chief Executive Officer

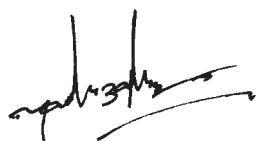
Sheikh Mohammad Aijaz Akhtar
Director

Profit and Loss Account

For the year ended 30 June 2014

	Note	2014 ----- (Rupees in '000) -----	2013
Sales - net	21	2,236,019	1,856,926
Cost of sales	22	(1,575,208)	(1,310,772)
Gross profit		660,811	546,154
Administration and general expenses	23	(164,818)	(162,313)
Other income	25	213,579	200,437
Other charges	26	(56,406)	(55,165)
Finance costs	27	(42,495)	(61,033)
Profit before taxation		610,671	468,080
Taxation - net	28	(198,814)	(147,848)
Profit after taxation		411,857	320,232
		----- (Rupees) -----	
Earnings per share (Basic & Diluted)	29	8.34	(Restated) 6.49

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



Naiyer Muzafar Husain
Chief Executive Officer



Sheikh Mohammad Aijaz Akhtar
Director



Statement of Comprehensive Income

For the year ended 30 June 2014

	2014 ----- (Rupees in '000) -----	2013 ----- (Restated)
Profit for the year	411,857	320,232
Other comprehensive income:		
Other comprehensive income not to be reclassified to profit & loss account in subsequent periods		
Actuarial (gain) / losses on defined benefit plan	(17,008)	40,691
Deferred Taxation	5,612	(13,835)
	(11,396)	26,856
Unrealised appreciation during the year on remeasurement of investments classified as 'available for sale'	16,465	6,098
Total comprehensive income for the year	416,926	353,186

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

Naiyer Muzafar Husain
Chief Executive Officer

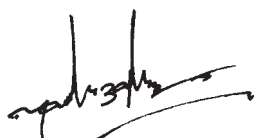
Sheikh Mohammad Aijaz Akhtar
Director

Cash Flow Statement

For the year ended 30 June 2014

	Note	2014 ----- (Rupees in '000) -----	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	33	759,549	622,295
Long-term deposits		(202)	9,829
Taxes paid		(195,739)	(91,465)
Finance costs paid		(43,989)	(64,104)
Net cash generated from operating activities		519,619	476,555
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(161,706)	(36,990)
Proceeds from sale of property, plant and equipment		1,047	1,397
Investment made during the year - net		(97,591)	(235,099)
Mark-up received		165,164	189,570
Net cash used in investing activities		(93,086)	(81,122)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term loan		-	12,110
Repayment of long term loan		(161,214)	(160,003)
Payments against lease obligations		(3,876)	(4,038)
Dividend paid		(215,475)	(222,754)
Net cash used in from financing activities		(380,565)	(374,685)
Net increase in cash and cash equivalents		45,968	20,748
Cash and cash equivalents at beginning of the year		37,245	16,497
Cash and cash equivalents at end of the year		83,213	37,245

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



Naiyer Muzafar Husain
Chief Executive Officer



Sheikh Mohammad Aijaz Akhtar
Director



Statement of Changes in Equity

For the year ended 30 June 2014

	Issued, subscribed and paid-up share capital	Capital reserves Unrealized gain on Available for sale investment	Revenue reserve			Total
			General reserves	Unappropriated profit	Sub-total reserves	
----- (Rupees in '000) -----						
Balance as at 30 June 2012 - as previously reported	411,499	-	2,602,389	378,474	2,980,863	3,392,362
Effect of change in accounting policy note: 3.11	-	-	-	(6,947)	(6,947)	(6,947)
Balance as at 30 June 2012 - restated	411,499	-	2,602,389	371,527	2,973,916	3,385,415
Total comprehensive income for the year ended 30 June 2013						
Profit for the year	-	-	-	320,232	320,232	320,232
Other comprehensive income, net of taxes - restated	-	6,098	-	26,856	26,856	32,954
Transactions with owners - Final cash dividend @ Rs 6.00 per share for the year ended 30 June 2012	-	-	-	(246,900)	(246,900)	(246,900)
Transfer to general reserves	-	-	131,200	(131,200)	-	-
Balance as at 30 June 2013 - restated	411,499	6,098	2,733,589	340,516	3,074,105	3,491,701
Total comprehensive income for the year ended 30 June 2014						
Profit for the year	-	-	-	411,857	411,857	411,857
Other comprehensive income, net of taxes	-	16,465	-	(11,395)	(11,395)	5,070
Transactions with owners						
Cash dividend @ Rs 4.00 per share for the year ended 30 June 2013	-	-	-	(164,600)	(164,600)	(164,600)
Interim cash dividend @ Rs 1.50 per share for the year ended 30 June 2014	-	-	-	(74,070)	(74,070)	(74,070)
Bonus Shares issued during the period	82,300	-	-	(82,300)	(82,300)	-
Transfer to general reserves	-	-	73,330	(73,330)	-	-
Balance as at 30 June 2014	493,799	22,563	2,806,919	346,677	3,153,596	3,669,958

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

Naiyer Muzafar Husain
Chief Executive Officer

Sheikh Mohammad Aijaz Akhtar
Director

Notes to the Financial Statements

For the year ended 30 June 2014

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-bank note security documents.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

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



Notes to the Financial Statements

2.5 Change in accounting policies

2.5.1 During the current year, the Company has adopted IAS 19 - Employee Benefits (Revised) which is effective from annual periods beginning on or after January 01, 2013. Accordingly, the change in accounting policy and its related impact is disclosed in note 3.11 to these financial statements.

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

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

Standard or Interpretation	Effective date (annual periods Beginning on or after)
IAS 16 & 38 – Clarification of Acceptable Method of Depreciation and Amortisation	01 January 2016
IAS 16 & 40 – Agriculture: Bearer Plants	01 January 2016
IAS 19 - Employee Contributions	01 July 2014
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	01 January 2014
IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment)	01 January 2014
IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting – (Amendment)	01 January 2014
IFRIC 21 – Levies	01 January 2014

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

In addition to the above standards and interpretations, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 July 2014. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

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

Standard or Interpretation	Effective date (annual periods Beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 10 – Consolidated Financial Statements	01 January 2013
IFRS 11 – Joint Arrangements	01 January 2013
IFRS 12 – Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 – Fair Value Measurement	01 January 2013
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2017

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 New / Revised Standards, Interpretations and Amendments

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

IAS 19 – Employee Benefits – (Revised)

IFRS 7 – Financial Instruments : Disclosures – (Amendments) -Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

IFAS 3 – Profit and Loss Sharing on Deposits

Improvements to Accounting Standards Issued by the IASB

IAS 1 – Presentation of Financial Statements - Clarification of the requirements for comparative information

IAS 16 –Property, Plant and Equipment – Clarification of Servicing Equipment

IAS 32 – Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments

IAS 34 – Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any effect on the financial statements except for IAS - 19 - Employee Benefits - (Revised) which has been disclosed in note 3.11 to these financial statements.

3.2 Property, plant and equipment

Owned

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

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

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



Notes to the Financial Statements

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

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

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

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

Leased

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

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

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

3.3 Borrowing cost

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

3.4 Financial instruments

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

Financial assets

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

(a) Held-to-maturity

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

(b) Loans and receivables

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

(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.

Notes to the Financial Statements

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

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

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

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

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

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

Financial liabilities

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

Offsetting of financial assets and financial liabilities

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

3.5 Stores, spares and loose tools

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

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

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

The above change has been accounted for in accordance with the requirements of IAS 19 - Employee Benefits (Revised) as required under IAS 8, such a change to be applied retrospectively.

Had there been no change in accounting policy due to recognition of actuarial losses on defined benefit plans in accordance with IAS 19 (Revised), the following would have been the impacts as of June 30, 2012, 2013 and 2014:

	2014	2013	2012
	----- (Rupees in '000) -----		
Employee benefit asset would have been higher by / (lower) by	8,514	19,910	(6,947)
Deferred taxation would have been lower by	4,482	10,094	3,740
Retained earnings would have been (lower) by / higher by	(8,514)	(19,910)	6,947

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

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

3.12 Employees' compensated absences

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

3.13 Mark-up bearing borrowings

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

3.14 Liabilities against assets subject to finance lease

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

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

3.15 Revenue recognition

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



Notes to the Financial Statements

3.16 Taxation

Current

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

Deferred

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

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

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

3.17 Expenses

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

3.18 Impairment

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

3.19 Foreign currency transactions

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

3.20 Proposed dividend and transfer between reserves

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

	Note	2014 ----- (Rupees in '000) -----	2013
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	1,811,153	1,958,062
Capital work-in-progress	4.3	118,583	402
		1,929,736	1,958,464



Notes to the Financial Statements

3.6 Stock-in-trade

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

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

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

3.7 Trade debts and other receivables

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

3.8 Cash and cash equivalents

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

3.9 Trade and other payables

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

3.10 Provisions

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

3.11 Employee retirement benefits

The Company operates:

- (a) an approved funded gratuity fund for all permanent employees. Annual contributions are made to the fund based on actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. The unrecognised actuarial gains or losses at each valuation date are charged to other comprehensive income as discussed in para 2.5.1 and stated below:

Change in accounting policy

- During the period, the company has changed its accounting policy in respect of recognition of actuarial gains and losses, past service cost and expected return on plan assets, whereby with effect from current period, the company has recognised Actuarial gains and losses as they occur in other comprehensive income, instead of past policy, where actuarial gains and losses were recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for the plan at the end of previous reporting period exceeded 10% of the higher of present value of the defined benefit obligation and the fair value of plan assets at that date, and such gains or losses were recognised over the expected average remaining working lives of the employees.

Notes to the Financial Statements

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

		----- 2014 -----															
		Land		Buildings on		Plant and machinery	Spare parts and stand-by equipment	Laboratory equipment	Furniture and fixtures	Electric, water and gas installation	Office and security equipment	Computers and computer accessories		Motor vehicles		Total	
		Leasehold	Freehold	Leasehold land	Freehold land							Owned	Leased				
		----- (Rupees in '000) -----															
At 1 July 2013																	
Cost		417	293	1,015	100,670	2,751,237	58,375	26,538	7,431	102,183	34,038	11,355	4,490	20,081	3,118,123		
Accumulated depreciation		-	-	(947)	(16,784)	(1,020,093)	(16,529)	(21,023)	(1,918)	(34,897)	(24,219)	(9,529)	(4,334)	(9,788)	(1,160,061)		
Net book value		417	293	68	83,886	1,731,144	41,846	5,515	5,513	67,286	9,819	1,826	156	10,293	1,958,062		
During the year																	
Additions		-	-	-	1,373	12,174	4,275	5,990	2,437	12,989	3,041	924	322	7,020	50,545		
Disposals:																	
Cost		-	-	-	-	(1,012)	-	-	-	-	(65.00)	(209.00)	(169)	(3,424)	(4,879)		
Depreciation		-	-	-	-	1,012	-	-	-	-	65.00	209.00	167	2,951	4,404		
Depreciation charge for the year		-	-	(25)	(2,353)	(163,732)	(14,200)	(1,564)	(528)	(6,209)	(2,789)	(927)	(184)	(4,468)	(196,979)		
Closing net book value		417	293	43	82,906	1,579,586	31,921	9,941	7,422	74,066	10,071	1,823	292	12,372	1,811,153		
At 30 June 2014																	
Cost		417	293	1,015	102,043	2,762,399	62,650	32,528	9,868	115,172	37,014	12,070	4,643	23,677	3,163,789		
Accumulated depreciation		-	-	(972)	(19,137)	(1,182,813)	(30,729)	(22,587)	(2,446)	(41,106)	(26,943)	(10,247)	(4,351)	(11,305)	(1,352,636)		
Net book value		417	293	43	82,906	1,579,586	31,921	9,941	7,422	74,066	10,071	1,823	292	12,372	1,811,153		
Depreciation rate % per annum		-	-	2.5%	2.5%	6%	25%	10%	6%	6%	15%	25%	20%	20%			

		----- 2013 -----															
		Land		Buildings on		Plant and machinery	Spare parts and stand-by equipment	Laboratory equipment	Furniture and fixtures	Electric, water and gas installation	Office and security equipment	Computers and computer accessories		Motor vehicles		Total	
		Leasehold	Freehold	Leasehold land	Freehold land							Owned	Leased				
		----- (Rupees in '000) -----															
At 1 July 2012																	
Cost		417	293	1,015	95,655	2,747,711	22,468	26,300	6,734	86,073	31,212	10,457	5,233	18,425	3,051,993		
Accumulated depreciation		-	-	(922)	(14,545)	(856,775)	(4,362)	(18,724)	(1,543)	(29,471)	(20,830)	(8,746)	(4,631)	(8,262)	(968,811)		
Net book value		417	293	93	81,110	1,890,936	18,106	7,576	5,191	56,602	10,382	1,711	602	10,163	2,083,182		
During the year																	
Additions		-	-	-	5,015	3,526	35,907	238	697	16,110	2,826	898	140	4,336	69,693		
Disposals:																	
Cost		-	-	-	-	-	-	-	-	-	-	-	(883)	(2,680)	(3,563)		
Depreciation		-	-	-	-	-	-	-	-	-	-	-	855	2,317	3,172		
Depreciation charge for the year		-	-	(25)	(2,239)	(163,318)	(12,167)	(2,299)	(375)	(5,426)	(3,389)	(783)	(558)	(3,843)	(194,422)		
Closing net book value		417	293	68	83,886	1,731,144	41,846	5,515	5,513	67,286	9,819	1,826	156	10,293	1,958,062		
At 30 June 2013																	
Cost		417	293	1,015	100,670	2,751,237	58,375	26,538	7,431	102,183	34,038	11,355	4,490	20,081	3,118,123		
Accumulated depreciation		-	-	(947)	(16,784)	(1,020,093)	(16,529)	(21,023)	(1,918)	(34,897)	(24,219)	(9,529)	(4,334)	(9,788)	(1,160,061)		
Net book value		417	293	68	83,886	1,731,144	41,846	5,515	5,513	67,286	9,819	1,826	156	10,293	1,958,062		
Depreciation rate % per annum		-	-	2.5%	2.5%	6%	25%	10%	6%	6%	15%	25%	20%	20%			



Notes to the Financial Statements

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

	Note	2014	2013
----- (Rupees in '000) -----			
Cost of sales	22	190,629	188,606
Administration and general expenses	23	6,350	5,816
		196,979	194,422

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

	Cost	Accumulated depreciation	Net book value	Sales proceeds	Mode of disposal	Particulars of buyers	Location
----- (Rupees in '000) -----							
Vehicle - owned							
Trakkers	109	107	2	8	Company's policy	Various	Karachi
Yamaha Motorcycle	60	60	-	17	Quotation	Mr. Dev Kumar	Karachi
Vehicles - leased							
Suzuki Cultus	896	463	433	567	Company's policy	Mr. Khalil Ahmed	Karachi
Honda City	1,319	1,319	-	198	Company's policy	Mr. M.A. Niazi	Karachi
Honda City	1,209	1,169	40	-	Company's policy	Ms Fouzia Nadeem	Karachi
Computer							
Monitor & Printer	209	209	0	13	Quotation	M/s Salman & Co	Karachi
Office Equipment							
Type Writer	65	65	0	2	Quotation	M/s Salman & Co	Karachi
Plant & Machinery							
Lathe Machine	155	155	0	82	Quotation	M/s Jangriaz Khan	Karachi
Old Compressor	158	158	0	93	Quotation	M/s Jangriaz Khan	Karachi
Welding Machine	33	33	0	12	Quotation	M/s Jangriaz Khan	Karachi
Shredding Machine	27	27	0	16	Quotation	M/s Jangriaz Khan	Karachi
Blade Grinding Machine	638	638	0	39	Quotation	M/s Jangriaz Khan	Karachi
2014	4,879	4,404	475	1,047			
2013	3,563	3,172	391	1,397			

4.3 Capital work-in-progress

	2014	2013
----- (Rupees in '000) -----		
Building	15,829	402
Plant and machinery	57,709	-
Others	45,045	-
	118,583	402

Notes to the Financial Statements

	Note	2014 ----- (Rupees in '000) -----	2013
The movement in capital work-in-progress is as follows:			
Balance as at beginning of the year		402	2,558
Additions during the year			
- Plant and machinery		57,709	1,661
- Building		16,627	4,945
- Electric Water & Gas Installation		40,430	-
- Others		9,139	858
		123,905	7,464
Transfers to operating fixed assets			
- Plant and machinery		-	(2,594)
- Building		(1,199)	(4,629)
- Others		(4,525)	(2,397)
		(5,724)	(9,620)
Balance at end of the year		118,583	402
5. LONG-TERM DEPOSITS			
Security deposits	5.1	14,561	14,359

5.1 These include deposits amounting to Rs 11.661 million (2013: Rs 11.661 million) given to the Karachi Electric Supply Corporation Limited (KESC) on which interest is received @ 5% per annum.

	Note	2014 ----- (Rupees in '000) -----	2013
6. LONG-TERM INVESTMENT			
Held-to-maturity			
Pakistan Investment Bond - 5 years	6.1	1,451,031	582,209

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



Notes to the Financial Statements

	2014 ----- (Rupees in '000) -----	2013 -----
7. STORES, SPARES AND LOOSE TOOLS		
Stores	10,624	10,048
Spares - in hand	113,676	115,772
Spares in transit	5,321	407
Loose tools	435	215
	130,056	126,442
Provision for slow moving and obsolete stores and spares	(14,341)	(14,341)
	115,715	112,101
8. STOCK-IN-TRADE		
Raw materials - in hand	183,396	162,465
Raw materials - in transit	7,959	24,723
	191,355	187,188
Less: Raw materials written off	-	(599)
	191,355	186,589
Work-in-process	24,223	9,250
Semi-finished goods	55,743	161,026
	79,966	170,276
Finished goods	106,409	92,426
Provision for slow moving inventories	(41,076)	(41,076)
	65,333	51,350
	336,654	408,215
9. TRADE DEBTS - considered good		
<i>Unsecured</i>		
Due from Pakistan Security Printing Corporation (Private) Limited - related party		
- considered good	284,282	272,925
- considered doubtful	1,904	1,904
	286,186	274,829
Due from Others	120	-
- provision for doubtful debts	(1,904)	(1,904)
	284,402	272,925

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 416.356 million (2013: Rs 413.501 million).

Notes to the Financial Statements

	Note	2014 ----- (Rupees in '000) -----	2013 (Restated)
10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advance to suppliers - unsecured and considered good		11,760	2,333
Receivables from gratuity fund		-	12,877
Short-term deposits		585	8,010
Short-term prepayments		696	632
Loan to employees - considered good	10.1	73	140
Others		1,079	481
		14,193	24,473
10.1 This represents loan provided to employees carrying interest rate at 12% per annum with maturity between 31 Aug 2014 and 30 May 2015.			
11. ACCRUED MARK-UP			
Pakistan Investment Bond		70,292	24,953
Term Finance Certificates		3,906	5,550
Security deposits		1,313	750
Term deposit receipts		-	3
Deposit and savings accounts		3	2
		75,514	31,258
12. INVESTMENTS			
<i>Available for sale</i>			
<i>Term finance certificates</i>			
B.R.R. Guardian Modaraba 3,149 (2013: 3,946) units of Rs 5,000 each	12.1	11,808	14,798
Units of Mutual Funds	12.2	222,563	206,098
<i>Held to maturity</i>			
Treasury Bills	12.3	361,905	1,146,058
<i>Loans and receivables</i>			
Term deposit receipts	12.4	-	66
		596,276	1,367,020

12.1 The term finance certificates originally had a term of 5 years and carried profit at the rate of six months KIBOR plus 1.3% (effective annual rate of 11.84%) payable semi annually with maturity on 7 July 2014. On 7 January 2011 the borrower defaulted in the payment of interest and entered into a restructuring agreement with the TFC holders. As per the revised terms, the principal amount will be redeemed in varying monthly principal instalments commencing from 7 August 2011 and ending on 7 December 2016. The certificates now carry markup at the rate of one month KIBOR (effective annual rate of 12.09%) payable on monthly basis along with 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	2014	2013	Name of Investee Company	Note	2014	2013
	----- (Units) -----				----- (Rupees in '000) -----	
	552,342	512,509	UBL Liquidity Plus Fund		55,437	51,290
	553,527	507,738	HBL money market		55,183	51,406
	559,739	511,701	MCB Cash Management Optimizer - Growth Fund		55,974	51,697
	5,589,570	5,162,710	NAFA Money Market Fund		55,969	51,705
	<u>7,255,178</u>	<u>6,694,658</u>			<u>222,563</u>	<u>206,098</u>

12.3 These represent investments in six treasury bills of three months and six month carrying profit rate ranging from 9.97% to 9.98% (2013: 8.913% to 11.942%) per annum with maturity ranging from Oct 2014 to December 2014.

12.4 These represent term deposit receipts with Faysal Bank Limited matured during the year. Return on investment is 6.21% per annum (2013: 7.9% per annum).

13. CASH AND BANK BALANCES

		2014	2013
		----- (Rupees in '000) -----	
Cash in hand		71	347
With banks in:			
- Current accounts		51	1,333
- Saving accounts	13.1	71,550	25,479
- Deposit account		62	62
- Dividend accounts		11,479	10,024
		<u>83,142</u>	<u>36,898</u>
		<u>83,213</u>	<u>37,245</u>

13.1 Saving accounts carry profit ranging from 5% to 8.25% per annum (2013: 5% to 8.25% per annum).

14. TRADE AND OTHER PAYABLES

		2014	2013
		----- (Rupees in '000) -----	
Creditors		61,078	45,987
Payable against purchase of operating fixed assets		29,997	33,275
Salaries, wages and benefits payable		81,961	67,163
Provision for employees compensated absences	14.1	42,166	36,212
Sales tax payable		17,834	2,605
Withholding tax payable		9,124	6,665
Provision for fire tax	14.2	37,023	37,023
Unclaimed dividend		92,835	69,640
Workers' welfare fund	14.3	28,226	24,635
Workers' profit participation fund	14.4	(1,145)	24,802
Advances from customers		36,903	8,636
Utilities		18,175	14,013
Payable to gratuity fund	24.1.2	6,405	-
Deposits repayable on demand	14.5	5,430	3,914
Others	14.6	16,544	20,160
		<u>482,556</u>	<u>394,730</u>

Notes to the Financial Statements

	2014 ----- (Rupees in '000) -----	2013
14.1 Employees' compensated absences		
Balance at beginning of the year	36,212	25,950
Cost for the year	5,954	10,262
Balance at end of the year	42,166	36,212

14.2 Provision for fire tax

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

	Note	2014 ----- (Rupees in '000) -----	2013
14.3 Workers' welfare fund			
Balance as at 1 July		24,635	18,626
Provision for the year		13,576	9,985
Charge/(Reversal) of prior year charge		10,953	(130)
Payments / adjustments during the year		(20,938)	(3,846)
		28,226	24,635

14.4 Workers' profit participation fund

Balance as at 1 July		24,802	2,500
Add:			
Allocation for the year	26	32,855	25,179
Interest on funds utilised in the Company's business	27	217	333
		33,072	25,512
		57,874	28,012
Paid during the year		(59,019)	(3,210)
		(1,145)	24,802

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

14.6 This includes an amount of Rs 4.132 million (2013: Rs 12.216 million) payable to Pakistan Security Printing Corporation (Private) Limited, in respect of certain expenses incurred on behalf of the Company.

15. SHORT TERM FINANCE AND OTHER FACILITIES

15.1 Running finance

At 30 June 2014, the Company has running finance facility from National Bank of Pakistan and Bank Al Habib Limited amounting to Rs 100 million each (2013: Rs 100 million facility from National Bank of Pakistan and Bank Al Habib Limited).

Notes to the Financial Statements

17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2014			2013		
	Minimum lease payments	Finance charge	Present value of minimum lease payments	Minimum lease payments	Finance charge	Present value of minimum lease payments
	----- (Rupees in '000) -----					
Not later than one year	5,890	1,341	4,549	5,067	1,128	3,939
Later than one year and not later than five years	12,256	1,630	10,626	9,175	1,083	8,092
	<u>18,146</u>	<u>2,971</u>	<u>15,175</u>	<u>14,242</u>	<u>2,211</u>	<u>12,031</u>

17.1 The above represents finance leases entered into with financial institutions for lease of motor vehicles. The liability under the agreement is payable by May 2018 in monthly installments and is subject to annual finance charge rates ranging from 10.98% to 11.68% (2013: 10.98% to 12.07%)

18. DEFERRED TAXATION - net

	2014 ----- (Rupees in '000) -----	2013 (Restated)
Deferred tax liability arising due to accelerated tax depreciation	339,124	366,333
Provision for gratuity fund - routed through other comprehensive income	4,482	10,094
Deferred tax asset arising in respect of:		
Provision for slow moving inventory, doubtful debts and fire tax	(30,980)	(31,288)
Leased assets	(985)	(591)
	<u>(31,965)</u>	<u>(31,879)</u>
	<u>311,641</u>	<u>344,548</u>

19. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2014 (Number of shares)			2014 ----- (Rupees in '000) -----	
1,250,000	1,250,000	Ordinary shares fully paid in cash	12,500	12,500
48,129,986	39,899,989	Ordinary shares issued as fully paid bonus shares	481,299	398,999
<u>49,379,986</u>	<u>41,149,989</u>		<u>493,799</u>	<u>411,499</u>



Notes to the Financial Statements

The arrangements are secured by way of hypothecation on stores, spares, loose tools, stock-in-trade and book debts of the Company and are available till 31 December 2014. The outstanding balance against these facilities will be subject to mark-up at the rate prevailing on the last day of each quarter of one month Karachi Inter Bank Offered Rate (KIBOR) plus 1.75 basis points for National Bank of Pakistan (2013: one month's Karachi Inter Bank Offered Rate (KIBOR) plus 1.75 basis points) and three months KIBOR of preceding 6 working days of each calendar quarter on the basis of arithmetic mean for Bank Al Habib Limited.

15.2 Import letter of credit (sight / usance)

As at 30 June 2014, 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 (2013: Rs 100 million facility from National Bank of Pakistan and Bank Al Habib Limited).

15.3 Letter of Guarantee Facility

As at 30 June 2014, the Company has facilities from National Bank of Pakistan and Bank Al Habib Limited relating to letters of guarantee as follows:

	2014 ----- (Rupees in '000) -----	2013
Total facility available	<u>120,000</u>	<u>120,000</u>
Utilised facility	<u>21,562</u>	<u>28,002</u>
16. LONG TERM LOAN - secured		
Balance as at 1 July	484,665	632,558
Long term loan obtained during the year	-	12,110
Repayments during the year	(161,214)	(160,003)
	323,451	484,665
Current maturity shown under current liabilities	(161,214)	(161,214)
	162,237	323,451

The Company has acquired facility amounting to Rs 434 million (2013: Rs 605.80 million) from Bank Al Habib Limited for purchase & installation of plant and machinery for balancing, modernisation and replacement of existing machinery. The entire financing is to be availed by 31 December 2014 (2013: 31 December 2013) and carries mark-up at three months Karachi Inter Bank Offer Rate (KIBOR) at effective annual rate of 9.62% (2013: 10.30%).

These facilities are 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 disbursement. The Company has an option to prepay the loan without incurring any penalty.



Notes to the Financial Statements

19.1 The following shares are held by the related parties of the Company as at 30 June 2014:

Name of related party	2014		2013	
	Shares held	Percentage	Shares held	Percentage
Pakistan Security Printing Corporation (Private) Limited	19,768,116	40.03%	16,473,430	40.03%
Summer Holding A.S. (Turkey)	4,937,971	10.00%	4,114,976	10.00%
Industrial Development & Renovation Organisation of Iran, Tehran (Iran)	4,937,971	10.00%	4,114,976	10.00%

20. CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

	Note	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
Income tax	20.2	10,221	10,221
Claims against the Company not acknowledged as debt	20.3	1,120	1,120
		11,341	11,341

20.2 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.

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

20.4 Commitments

	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
Capital expenditure contracted for but not incurred	7,651	5,300
Commitments against letters of credit	96,944	76,375
	104,595	81,675

Notes to the Financial Statements

	Note	2014 ----- (Rupees in '000) -----	2013
21. SALES - net			
Banknote paper		1,883,399	1,603,868
Non-banknote paper:			
- Commercial paper		160,298	17,368
- Others		572,607	533,909
		732,905	551,277
		2,616,304	2,155,145
Sales tax		(380,285)	(298,219)
		2,236,019	1,856,926
22. COST OF SALES			
Opening stock of raw materials		187,188	171,843
Add: Purchases - net		620,715	558,598
		807,903	730,441
Less: Closing stock of raw materials	8	(191,355)	(187,188)
Raw materials consumed		616,548	543,253
Salaries, wages and benefits	22.1	265,137	230,840
Defence Security Guards		19,118	17,178
Manufacturing services		45,192	32,324
Technical assistance fee		13,892	12,714
Stores, spares and loose tools consumed		113,363	79,610
Utilities		191,097	154,496
Repairs and maintenance		26,340	29,018
Insurance		3,910	4,289
Rent, rates and taxes		987	742
Depreciation	4.1.1	190,629	188,606
Other expenses		12,668	10,470
		1,498,881	1,303,540
Opening stock of work-in-process and semi-finished goods		170,276	204,490
Less: Closing stock of work-in-process and semi-finished goods		(79,966)	(170,276)
Cost of goods manufactured		1,589,191	1,337,754
Opening stock of finished goods		92,426	65,444
Less: Closing stock of finished goods		(106,409)	(92,426)
		1,575,208	1,310,772

22.1 Employee retirement benefits

Salaries, wages and benefits include Rs 24.399 million (2013: Rs 22.119 million) in respect of employee retirement benefits.



Notes to the Financial Statements

	Note	2014 ----- (Rupees in '000) -----	2013
23. ADMINISTRATION AND GENERAL EXPENSES			
Salaries, wages and benefits	23.1	123,786	124,288
Rent, rates and taxes		717	341
Travelling expenses including those of directors Rs 1.55 million (2013: Rs 1.57 million)		2,775	4,208
Printing and stationery		2,181	2,700
Repairs and maintenance		7,405	6,998
Packing and forwarding		3,186	718
Advertisement		3,407	1,193
Training		2,366	1,306
Software expenses		864	937
Communication		2,516	2,380
Entertainment		2,107	1,990
Legal and professional		4,068	3,438
Depreciation	4.1.1	6,350	5,816
Debtors written - off		-	263
Provision for doubtful debts		-	1,904
Others		3,091	3,833
		164,818	162,313

23.1 Salaries, wages and benefits include Rs 10.728 million (2013: Rs 11.691 million) in respect of employee retirement benefits.

24. EMPLOYEE RETIREMENT BENEFITS

24.1 Gratuity

The Company operates an approved gratuity fund for its eligible employees. Actuarial valuation is carried out on an annual basis and the latest valuation was carried out at 30 June 2014. The projected unit credit method, using the following significant assumptions has been used for the actuarial valuation.

	2014	2013
24.1.1 Actuarial assumptions		
a) Discount rate	13%	12.0%
b) Expected rate of increase in salary	12%	12.0%
c) Interest Credit Rate	13%	12.0%
d) Expected return on plan assets	13%	12.0%

Notes to the Financial Statements

	2014		2013	
	Un-Audited	% of	Audited	% of
24.2.1 Breakup of investment (as per Section 227 of the Companies Ordinance, 1984)	Investment Rs in 000	Investment as size of the fund	Investment Rs in 000	Investment as size of the fund
Special Saving Certificates	123,193	35.5%	110,822	33.18%
Pakistan Investment Bond	142,460	41.0%	122,640	36.72%
Mutual Fund	546	0.2%	383	0.11%
Regular Income Certificates	-	0.0%	4,200	1.26%
Term Deposit Receipt	-	0.0%	20,000	5.99%
	<u>266,199</u>		<u>258,045</u>	

Investment out of provident fund have been made in accordance with the provision of the Section 227 of Companies Ordinance, 1984 and the rules formulated for the purpose.

25. OTHER INCOME	Note	2014	2013
		----- (Rupees in '000) -----	
Income from financial assets			
Amortisation of discount on Pakistan Investment Bond		7,021	4,499
Reversal of impairment on term finance certificates		997	567
Mark-up on:			
- Pakistan investment bond		98,882	68,741
- Treasury bills		80,418	108,639
- Bank deposits and savings account		10,036	9,180
- Term finance certificates		-	2,090
- Security deposits		563	758
- Loan to employees		25	38
- Term deposit receipts		-	3
		<u>197,942</u>	<u>194,515</u>
Income from non-financial assets			
Gain on sale of property, plant and equipment		572	1,006
Sale of waste materials		12,381	4,916
Other income		2,684	-
		<u>15,637</u>	<u>5,922</u>
		<u>213,579</u>	<u>200,437</u>
26. OTHER OPERATING CHARGES			
Workers' profit participation fund	14.4	32,855	25,179
Workers' welfare fund	14.3	13,576	9,855
Raw material written off		-	599
Provision for slow moving inventories		-	10,087
Donation	26.1	5,295	4,622
Auditors' remuneration	26.2	1,208	947
Exchange loss - net		3,472	3,876
		<u>56,406</u>	<u>55,165</u>



Notes to the Financial Statements

	2014	2013
24.1.8 Plan assets comprised of following		
Defence Saving Certificates (DSCs)	18%	11%
Regular Income Certificates (RICs)	26%	38%
Special Saving Certificates (SSCs)	52%	42%
Bank account and short-term deposits	4%	9%
	100%	100%

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

	2014	2013	2012	2011	2010
	----- (Rupees in '000) -----				
		(Restated)	(Restated)		
Present value of defined benefit obligation	270,015	260,080	263,266	243,342	236,357
Fair value of plan assets	263,610	272,958	254,221	215,605	230,219
Deficit / (surplus)	6,405	(12,878)	9,045	27,737	6,138

24.1.10 5 years data on experience adjustments are as follows:

	2014	2013	2012	2011	2010
(Gain) / loss on obligation	(1,141)	(24,867)	(7,809)	(9,676)	(2,641)
(Gain) / loss on plan assets	18,149	(15,824)	7,979	(18,768)	(1,083)

24.1.11 The investment income of the fund is distributed among the members of the fund. Accordingly, expected return on plan assets has not been taken in the gratuity cost for the year ended 30 June 2014.

24.1.12 The information provided in notes 24.1.1 to 24.1.10 has been obtained from the valuation carried out by independent actuaries as at 30 June 2014.

24.2 Defined contribution plan

	2014 Un-audited	2013 Audited
	----- (Rupees in '000) -----	
Size of the trust	347,126	334,032
Cost of investment made	266,199	258,045
Percentage of the investment made	76.69%	77.25%
Fair value of investment made	266,199	258,045

Notes to the Financial Statements

	Note	2014 ----- (Rupees in '000) -----	2013 (Restated)
24.1.2 Amounts recognised in the balance sheet are as follows:			
Present value of defined benefit obligations	24.1.4	270,015	260,080
Fair value of plan assets	24.1.5	(263,610)	(272,958)
Liability / (asset) on balance sheet		6,405	(12,878)
24.1.3 Movement in net liability / (asset) recognised:			
Opening net (asset) / liability		(12,878)	9,045
(Income) / expense		19,519	21,595
Other comprehensive income		17,008	(40,691)
Contributions and benefits paid on behalf of the fund		(17,244)	(2,827)
Closing net (asset) / liability		6,405	(12,878)
24.1.4 Movement in present value of defined benefit obligations			
Opening present value of obligation		260,080	263,266
Current service cost		8,390	7,512
Interest cost		11,129	14,083
Benefits paid		(39,842)	(31,545)
Actuarial gain on obligation		(1,141)	(24,867)
Income distributed among the members		31,399	31,631
Closing present value of obligation		270,015	260,080
24.1.5 Movement in the fair value of plan assets			
Opening fair value of plan assets		272,958	254,221
Expected return on plan assets		31,399	31,631
Actuarial gain on plan assets		(18,149)	15,824
Benefits paid		(39,842)	(31,545)
Contribution by Company		17,244	2,827
Closing fair value of plan assets		263,610	272,958
24.1.6 Expense recognised in the profit and loss account			
Current service cost		8,390	7,512
Net Interest cost		(20,270)	(17,548)
Income distributed among members		31,399	31,631
Cost for the year		19,519	21,595
24.1.7 Return on plan assets is as follows:			
Expected return on plan assets		31,399	31,631
Actuarial gains on plan assets		(18,149)	15,824
Return on plan assets		13,250	47,455



Notes to the Financial Statements

26.1 Donation

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

2014 2013
----- (Rupees in '000) -----

26.2 Auditors' remuneration

Audit fee	605	605
Review of half yearly financial statements	114	110
Audit of funds, special certification, CCG and other services	282	72
Out of pocket expenses	207	160
	<u>1,208</u>	<u>947</u>

27. FINANCE COSTS

Interest / mark-up on:		
- long-term finance	39,165	58,162
- short-term finance	676	714
- finance leases	1,298	1,334
- workers' profit participation fund	217	333
Bank charges	1,139	490
	<u>42,495</u>	<u>61,033</u>

28. TAXATION - net

Current		
- for the year	217,866	165,382
- for prior year	8,242	(2,134)
	<u>226,108</u>	<u>163,248</u>
Deferred		
- relating to temporary differences	(17,987)	(5,563)
- resulting from reduction in tax rate	(9,307)	(9,837)
	<u>(27,294)</u>	<u>(15,400)</u>
	<u>198,814</u>	<u>147,848</u>

28.1 Reconciliation between tax expense and accounting profit

Accounting profit before taxation	610,671	468,080
Tax on accounting profit @ 34% (2013: 35%)	207,628	163,828
Rebates under section 61, 65A and 65B of the Ordinance	(8,328)	(6,327)
Tax effect of permanent differences	1,363	(485)
Effect of reduction in tax rate	(9,307)	(9,837)
Tax effect of prior year	8,242	(2,134)
Others	(784)	2,803
	<u>198,814</u>	<u>147,848</u>
Average rate of tax	33%	32%

Notes to the Financial Statements

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

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

The Company has also filed an appeal before the Commissioner (Appeals) against the order of the ACIR dated January 06, 2014 under section 221 of the Ordinance in which a demand of WWF of Rs 10.20 million was raised for tax year 2012. The hearing of the appeal filed before Commissioner is still pending. We have also approached the ACIR to rectify the aforesaid order by allowing credit of Rs 3.85 million paid and adjust the balance of Rs 6.35 million from income tax refunds. However, the rectified order and the adjustment challans are still awaited.

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

29. EARNINGS PER SHARE

	2014	2013
	----- (Rupees in '000) -----	
Profit after taxation	<u>411,857</u>	<u>320,232</u>
	(Number of shares)	
		(Restated)
Weighted average number of ordinary shares	<u>49,379,987</u>	<u>49,379,987</u>
	(Rupees)	
		(Restated)
Earnings per share - basic and diluted	<u>8.34</u>	<u>6.49</u>

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



Notes to the Financial Statements

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:

	2014			2013		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	----- (Rupees in '000) -----					
Directors' fee	-	4,946	-	-	2,900	-
Managerial remuneration (including bonus)	16,000	-	52,261	*3,097	-	43,192
Housing, utilities and other perquisites	2,027	-	24,684	2,991	-	23,365
Retirement benefits	-	-	5,316	-	-	3,452
Medical	-	-	3,298	-	-	3,032
Total	18,027	4,946	85,559	6,088	2,900	73,041
Number of persons	<u>1</u>	<u>9</u>	<u>38</u>	<u>1</u>	<u>8</u>	<u>36</u>

* Represents salary of Chief Executive for part of the year

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

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

30.3 Housing, utilities and other perquisites include an amount of Rs Nil (2013: 1.5 million (net of tax)) as an award in recognition of her excellent performance and valuable services to the Company.

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

Notes to the Financial Statements

31. TRANSACTIONS WITH RELATED PARTIES

	2014			
	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	-	2,099,150	-	2,099,150
Purchase of goods from Pakistan Cables Limited	-	-	7,839	7,839
Remuneration to key management personnel	108,532	-	-	108,532
Balance outstanding at the year end				
Receivable from Pakistan Security Printing Corporation (Private) Limited - net	-	282,054	-	282,054
Advance to Pakistan Cables Limited	-	-	525	525

	2013			
	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	-	1,841,953	-	1,841,953
Purchase of goods from Pakistan Cables Limited	-	-	547	547
Remuneration to key management personnel	82,029	-	-	82,029
Balance outstanding at the year end				
Receivable from Pakistan Security Printing Corporation (Private) Limited - net	-	262,613	-	262,613
Advance to Pakistan Cables Limited	-	-	30	30



Notes to the Financial Statements

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

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

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

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

	2014	2013
	(Tons)	
32. PRODUCTION CAPACITY		
Total Installed Capacity - on three shift basis	<u>2,500</u>	<u>2,500</u>
Available installed capacity -based on available three shift working days	<u>2,468</u>	<u>2,435</u>
Actual production	<u>2,405</u>	<u>2,181</u>

The short capacity utilisation during the year was due to scheduled plant (PM-2) shut down of 23 days (2013: 18 days) for maintenance purposes.

	Note	2014	2013
		----- (Rupees in '000) -----	
33. CASH GENERATED FROM OPERATIONS			
Profit before taxation		610,671	468,080
Adjustments for:			
Depreciation		196,979	194,422
Provision for slow moving inventories		-	10,686
Debtors written-off		-	263
Provision for doubtful debts		-	1,904
Un-recognised actuarial gain - net		(23,683)	-
Gain on disposal of property, plant and equipment		(572)	(1,006)
Reversal of impairment on term finance certificates		(997)	(567)
Amortisation of discount		(7,021)	(4,499)
Mark-up on investments		(179,225)	(180,078)
Mark-up on bank deposits and saving accounts		(10,036)	(9,180)
Mark-up on security deposits		(563)	(758)
Finance costs		42,495	61,033
Working capital changes	33.1	131,501	81,995
		<u>148,878</u>	<u>154,215</u>
		<u>759,549</u>	<u>622,295</u>

Notes to the Financial Statements

	2014	2013
	----- (Rupees in '000) -----	
33.1 Working capital changes		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(3,614)	1,966
Stock-in-trade	71,561	(16,143)
Trade debts	(11,357)	62,572
Advances, deposits, prepayments and other receivables	10,280	2,937
	66,870	51,332
Increase / (decrease) in current liabilities		
Trade and other payables	64,631	30,663
	131,501	81,995

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 2,517.28 million (2013: Rs 2,313.51 million), the financial assets which are subject to credit risk amounted to Rs 693.73 million (2013: Rs 585.03 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 11.22% (2013: 11.88%) of the total financial assets.

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



Notes to the Financial Statements

	2014	2013
	----- (Rupees in '000) -----	
Investments	234,371	220,962
Trade debts	284,402	272,925
Deposits, accrued mark up and other receivables	91,812	54,248
Bank balances	83,142	36,898
	693,727	585,033

Investments comprise of Term Finance Certificates, Units of Mutual Funds 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 Treasury Bills and Pakistan Investment bonds as disclosed in note 12 and 6 to the financial statements.

	2014	2013
Term Finance Certificates (Refer note 12.1)	<u>D</u>	<u>D</u>
Term Deposit Receipts	<u>-</u>	<u>AA / A-1+</u>
UBL Liquidity Plus Fund	<u>AA + (f)</u>	<u>AA + (f)</u>
HBL money market	<u>AA + (f)</u>	<u>AA (f)</u>
MCB Cash Management Optimizer - Growth Fund	<u>AA (f)</u>	<u>AA (f)</u>
NAFA Money Market Fund	<u>AA (f)</u>	<u>AA (f)</u>

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

	2014		2013	
	Gross	Impairment	Gross	Impairment
	----- (Rupees in '000) -----			
Not past due	248,809	-	111,759	-
31-90	35,469	-	147,107	-
91-180	-	-	14,059	-
181-360	-	-	-	-
360 and above	2,028	1,904	1,904	1,904
	286,306	1,904	274,829	1,904

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

	2014	2013
	----- (Rupees in '000) -----	
Opening balance	1,904	9,498
Provision during the year	-	1,904
Written off	-	(9,498)
Closing balance	1,904	1,904

Notes to the Financial Statements

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

34.2 Liquidity risk

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

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

	2014					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	----- (Rupees in '000) -----					
Financial Liabilities						
Long term loans	323,451	(363,345)	(96,109)	(91,860)	(132,101)	(43,275)
Trade and other payables	385,208	(385,208)	(385,208)	-	-	-
Liabilities against asset subject to finance lease	15,175	(18,146)	(2,884)	(3,006)	(7,564)	(4,692)
Accrued mark up	3,686	(3,686)	(3,686)	-	-	-
	727,520	(770,385)	(487,887)	(94,866)	(139,665)	(47,967)
	2013					
	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	484,665	(575,589)	(107,551)	(103,748)	(192,238)	(172,052)
Trade and other payables	327,387	(327,387)	(327,387)	-	-	-
Liabilities against asset subject to finance lease	12,031	(14,242)	(2,515)	(2,552)	(4,294)	(4,881)
Accrued mark up	5,181	(5,181)	(5,181)	-	-	-
	829,264	(922,399)	(442,634)	(106,300)	(196,532)	(176,933)



Notes to the Financial Statements

34.3 Market risk

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

34.3.1 Currency risk

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

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

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

	2013			
	USD	GBP	Euro	Total
	------(Rupees in '000)-----			
Payable against purchase of operating fixed assets	-	-	28,998	28,998
Technical fee payable	-	-	1,084	1,084
Gross balance sheet exposure	-	-	30,082	30,082
Outstanding letters of credit	4,841	16,978	54,556	76,375
Net exposure	4,841	16,978	84,638	106,457

The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2014	2013	2014	2013
USD to PKR	100.47	96.60	98.75	99.45
GBP to PKR	168.12	152.14	168.13	151.22
Euro to PKR	134.36	125.75	134.73	129.53

Sensitivity analysis

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

Notes to the Financial Statements

	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
Effect on profit		
Increase / decrease	<u>2,172</u>	<u>1,955</u>

34.3.2 Interest rate risk

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

	Note	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
Financial assets			
Fixed rate instruments			
Pakistan Investment Bond	6	1,451,031	582,209
Treasury Bills	12	361,905	1,146,058
Term Deposit Receipts	12	-	66
		<u>1,812,936</u>	<u>1,728,333</u>
Variable rate instruments			
Term Finance Certificates	12	11,808	14,798
		<u>11,808</u>	<u>14,798</u>
Financial liabilities			
Variable rate instruments			
Long Term Loan	16	323,451	484,665
Liabilities against asset subject to Finance Lease	17	15,175	12,031
		<u>338,626</u>	<u>496,696</u>

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.



Notes to the Financial Statements

	Effect on profit and loss	
	100 bp increase	100 bp decrease
	(Rupees in '000)	
As at 30 June 2014		
Cash flow sensitivity - Variable rate instruments	3,386	(3,386)
As at 30 June 2013		
Cash flow sensitivity - Variable rate instruments	1,242	(1,242)

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

34.3.3 Other price risk

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

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

	2014	2013
	(Rupees in '000)	
B.R.R. Guardian Modaraba Term Finance Certificates	1,181	1,480
Units of mutual funds	22,256	20,610

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

34.4 Fair value of financial instruments

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

Fair value hierarchy

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

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

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

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

Notes to the Financial Statements

	Level 1	Level 2	Level 3
	----- (Rupees in '000) -----		
30 June 2014			
Available for sale investments			
B.R.R. Guardian Modaraba Term Finance Certificates	-	-	11,808
Units of Mutual Funds	222,563	-	-
	<u>222,563</u>	<u>-</u>	<u>-</u>
30 June 2013			
Available for sale investments			
B.R.R. Guardian Modaraba Term Finance Certificates	-	-	14,798
Units of Mutual Funds	206,098	-	-
	<u>206,098</u>	<u>-</u>	<u>-</u>

35. OPERATING SEGMENTS

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

- 35.1 Revenue from bank notes represents 71.99% (2013 : 74.42%) 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 2014 are located in Pakistan.
- 35.4 One customer (PSPC) of the Company accounts for 93.87% (2013: 99.19%) of total revenue of the Company for the year.

36. CAPITAL RISK MANAGEMENT

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

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

37. CORRESPONDING FIGURES

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



Notes to the Financial Statements

38. GENERAL

- 38.1** The Board of Directors in its meeting held on 25 July 2014 has proposed a cash dividend in respect of the year ended 30 June 2014 of Rs 3.50 per share in addition to the interim dividend of Rs 1.50 per share making a total dividend of Rs 5 per share (2013: Rs 4 per share) and bonus issue of 20% (2013: 20%). In addition, the directors have also announced appropriation of Rs 66.20 million (2013: 73.33 million) to revenue reserves. These appropriations will be approved in the forthcoming Annual General meeting. The financial statements for the year ended 30 June 2014 do not include the effect of these appropriations which will be accounted for subsequent to the year end.
- 38.2** The number of employees including contractual employees of the Company as at 30 June 2014 were 403 (2013: 403) and weighted average number of employees were 406 (2013: 402).
- 38.3** These financial statements were authorised for issue on 25 July 2014 by the Board of Directors of the Company.

Naiyer Muzafar Husain
Chief Executive Officer

Sheikh Mohammad Aijaz Akhtar
Director

Pattern of Shareholding

As At 30 June 2014

Number of Shareholders	Size of Holding Rs 10 Shares		Number of Shares
444	1	100	8,895
297	101	500	87,536
234	501	1,000	179,305
399	1,001	5,000	964,572
111	5,001	10,000	791,728
40	10,001	15,000	493,474
18	15,001	20,000	319,040
13	20,001	25,000	301,470
5	25,001	30,000	144,030
5	30,001	35,000	162,053
7	35,001	40,000	256,028
3	40,001	45,000	127,327
3	45,001	50,000	145,652
5	50,001	55,000	265,412
4	55,001	60,000	232,423
1	95,001	100,000	98,006
2	130,001	135,000	268,323
1	135,001	140,000	138,000
1	165,001	170,000	167,356
1	195,001	200,000	199,665
1	200,001	205,000	201,295
1	295,001	300,000	300,000
1	335,001	340,000	335,603
1	395,001	400,000	396,399
1	640,001	645,000	640,587
1	680,001	685,000	683,500
1	770,001	775,000	773,908
1	1,120,001	1,125,000	1,122,013
1	2,200,001	2,205,000	2,201,774
1	3,545,001	3,550,000	3,545,234
1	4,185,001	4,190,000	4,185,321
2	4,935,001	4,940,000	9,875,942
1	19,765,001	19,770,000	19,768,116
1,608	TOTAL		49,379,987



Pattern of Shareholding As At 30 June 2014

Categories of Shareholders	Number	Shares held	Percentage
i. Associated Companies, Undertakings and Related Parties	3	29,644,058	60.03
INDUSTRIAL DEVELOPMENT & RENOVATION ORGANIZATION OF IRAN	1	4,937,971	10.00
SUMER HOLDING A.S.	1	4,937,971	10.00
PAKISTAN SECURITY PRINTING CORPORATION (PVT.) LIMITED	1	19,768,116	40.03
ii. Mutual Funds	2	2,256,686	4.57
TRUSTEE - PAKISTAN PENSION FUND - EQUITY SUB FUND	1	54,912	0.11
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	2,201,774	4.46
iii. Directors and their Spouse(s) and minor children	3	25,936	0.05
SHEIKH MOHAMMAD AIJAZ AKHTAR	2	1,502	0.00
MR. MUSTAPHA A.CHINOY	1	24,434	0.05
iv. Executives	-	-	-
v. Public Sector Companies and Corporations	5	5,935,606	12.02
STATE LIFE INSURANCE CORPORATION OF PAKISTAN	2	4,185,508	8.48
PAKISTAN REINSURANCE COMPANY LIMITED	1	773,908	1.57
DEPUTY ADMINISTRATOR ABANDONED PROPERTIES ORGANIZATION	1	335,603	0.68
NATIONAL INVESTMENT TRUST LIMITED - ADMINISTRATION FUND	1	640,587	1.30
vi. Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	15	5,975,741	12.10
HABIB BANK LIMITED	2	130	0.00
UNITED BANK LIMITED	1	268	0.00
MERCANTILE COOPERATIVE FINANCE	1	29,606	0.06
MUSLIM COMMERCIAL BANK LIMITED	1	129	0.00
E F U GENERAL INSURANCE LIMITED	1	630	0.00
INNOVATIVE INVESTMENT BANK LIMITED	1	1,200	0.00
THE PUNJAB PROVINCIAL COOPERATIVE BANK	1	3,545,234	7.18
THE BANK OF KHYBER	1	300,000	0.61
NATIONAL BANK OF PAKISTAN	2	1,123,249	2.27
SAUDI PAK INDUSTRIAL & AGRICULTURAL INVESTMENT CO. LTD.- CAD	1	60,000	0.12
EFU LIFE ASSURANCE LIMITED	1	683,500	1.38
ALLIANZ EFU HEALTH INSURANCE LIMITED	1	30,500	0.06
TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	1	201,295	0.41
General Public	1546	4,739,695	9.60
a. Local	1546	4,739,695	9.60
b. Foreign	-	-	-

Pattern of Shareholding As At 30 June 2014

Categories of Shareholders	Number	Shares held	Percentage
Others	34	802,265	1.63
FIKREE DEVELOPMENT CORPORATION	1	4,688	0.01
AZEEM SERVICES (PVT.) LIMITED	1	1	0.00
N. H. SECURITIES (PVT.) LIMITED	1	37	0.00
ASIAN SECURITIES LIMITED	1	133,700	0.27
PRUDENTIAL SECURITIES LIMITED	1	45	0.00
MOOSANI SECURITIES (PVT.) LIMITED	1	19,146	0.04
Y.S. SECURITIES & SERVICES (PVT.) LIMITED	1	86	0.00
DAWOOD FOUNDATION	1	199,665	0.40
MILLWALA SONS (PRIVATE) LIMITED	1	54	0.00
MOHAMAD AMIN BROS (PVT.) LIMITED	1	7,200	0.01
TRUSTEES SAEEDA AMIN WAKF	1	55,800	0.11
TRUSTEES MOHAMAD AMIN WAKF ESTATE	1	98,006	0.20
TRUSTEES AL-BADER WELFARE TRUST	1	49,420	0.10
TECHNOLOGY LINKS (PVT.) LIMITED	1	5,616	0.01
TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	1	7,063	0.01
S.H. BUKHARI SECURITIES (PVT.) LIMITED	1	774	0.00
CRESCENT COTTON MILLS LIMITED	1	436	0.00
TRUSTEES D.G.KHAN CEMENT CO.LTD.EMP. P.F	1	138,000	0.28
H M INVESTMENTS (PVT.) LIMITED	1	331	0.00
NH SECURITIES (PVT.) LIMITED	1	3,098	0.01
UHF CONSULTING (PRIVATE) LIMITED	1	960	0.00
ACE SECURITIES (PVT.) LIMITED	1	80	0.00
MULTILINE SECURITIES (PVT.) LIMITED	1	9,000	0.02
AMPLE SECURITIES (PRIVATE) LIMITED	1	53,000	0.11
NCC - PRE SETTLEMENT DELIVERY ACCOUNT	1	500	0.00
CLIKTRADE LIMITED	1	1	0.00
DARSON SECURITIES (PVT) LIMITED	1	6	0.00
AWJ SECURITIES (PRIVATE) LIMITED.	1	1,000	0.00
MUHAMMAD BASHIR KASMANI SECURITIES (PVT.) LIMITED	1	3,000	0.01
M.R. SECURITIES (SMC-PVT.) LIMITED	1	3,600	0.01
SEVEN STAR SECURITIES (PVT.) LIMITED	1	120	0.00
PEARL CAPITAL MANAGEMENT (PRIVATE) LIMITED	1	8	0.00
FIKREE'S (SMC-PVT.) LIMITED	1	4,464	0.01
AYUB CHAUDHRY INVESTMENTS (PVT) LIMITED	1	3,360	0.01
Total	1,608	49,379,987	100.00
vii. Shareholders Holding five percent or more Voting Rights in the Listed Company	5	37,374,800	75.69
PAKISTAN SECURITY PRINTING CORPORATION (PVT.) LIMITED	1	19,768,116	40.03
SUMER HOLDING A.S.	1	4,937,971	10.00
INDUSTRIAL DEVELOPMENT & RENOVATION ORGANIZATION OF IRAN	1	4,937,971	10.00
STATE LIFE INSURANCE CORPORATION OF PAKISTAN	1	4,185,508	8.48
THE PUNJAB PROVINCIAL COOPERATIVE BANK	1	3,545,234	7.18



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)

Six 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.
- l) Determination of compliance with relevant statutory requirements.

Company Information

BOARD INVESTMENT COMMITTEE

Mrs. Naiyer Muzafar Husain Chief Executive Officer	- Chairperson
Mr. Mustapha A. Chinoy Non-Executive Director	- Member
Mr. Mazhar-ul-Hassan Shah Non-Executive Director	- Member
Mr. Rizwan Ul Haq Khan Chief Financial Officer	- Secretary

MANAGEMENT AND STRATEGIC PLAN COMMITTEE

Chairperson:

Mrs. Naiyer Muzafar Husain	- Chief Executive Officer
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Members:

Mr. Rizwan Ul Haq Khan	- Chief Financial Officer
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. Khalil Ahmed	- General Manager (Engineering & Projects)
Mr. Muhammad Imran Awan	- D.G.M. (Production)
Mr. Saadat Ali	- D.G.M. (QA/R&D)
Mr. Muhammad Abdul Qadir Jilani	- D.G.M. (IMS)
Mr. Imad Ahmed Khan	- D.G.M. (Process Systems & IT)
Mr. Shahbaz Ali	- D.G.M. (HR&A)

BANKERS

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

AUDITORS

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

TAX CONSULTANTS

A. F. Ferguson & Co.
Chartered Accountants

LEGAL ADVISORS

Mohsin Tayebaly & Co.
Advocates & Legal Consultants

REGISTERED OFFICE

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

SHARE REGISTRAR

FAMCO Associates (Pvt.) Limited
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FACTORY

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

Information on Board Committees

- 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)

Three meetings were held during the year.

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)

No meeting was held during the year under review.

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-ninth Annual General Meeting of Security Papers Limited will be held on Friday, the 29 August 2014 at 11:00 AM at Hotel Ramada Plaza, Karachi, Star Avenue, Terminal No.1, Jinnah International Airport, Karachi to transact the following business:

A. ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2014 together with the Reports of the Auditors and the Directors.
2. To approve the (i) payment of final cash dividend at the rate of Rs 3.50 per share i.e. 35% for the year ended 30 June 2014 as recommended by the Board of Directors in addition to the interim cash dividend already paid at the rate of Rs 1.50 per share i.e. 15% making a total of Rs 5/- per share i.e. 50% and (ii) issue of bonus shares in the proportion of two shares for every ten shares held i.e. 20% which is considered under "Special Business" set out below.
3. To appoint Auditors for the year 2014-15 and to fix their remuneration.
4. To elect four Directors as fixed by the Board for a term of three years [other than those nominated by (i) Pakistan Security Printing Corporation (Pvt.) Limited (PSPC), (ii) Sumer Holding A.S. Genel Mudurlugu, Turkey (SHAS) and (iii) Industrial Development & Renovation Organization of Iran (IDRO)] in place of the following retiring Directors who are eligible for re-election:
 - Mr. Mustapha A. Chinoy
 - Mr. Jamal Nasim
 - Sheikh Mohammad Aijaz Akhtar
 - Mr. Ajaz Ali Khan

B. SPECIAL BUSINESS

To consider and, if deemed fit and proper, pass the following as ordinary resolution:

"RESOLVED that a sum of Rs 98,759,980/- out of Company's reserve for issue of Bonus Shares be capitalized and applied to the issue of 9,875,998 ordinary shares of Rs 10/- each and allotted as fully paid Bonus Shares to the members of the Company whose names appeared in the Members' Register of the Company on 20 August 2014 in the ratio of two for ten shares held and that such shares shall rank pari passu as regards future dividends and in all other respects with the existing ordinary shares of the Company.

FURTHER RESOLVED that aggregate of the fractions of a share arising on such allotment be sold and that the net proceeds thereof be donated to any registered charitable / welfare institution.

FURTHER RESOLVED that the Chief Executive Officer and / or the Company Secretary be and are hereby authorized and empowered to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary for the issue, allotment and distribution of the Company's shares and the payment of the sale proceeds of the fractions."

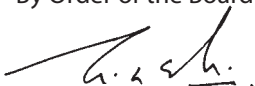
STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984, REGARDING THE SPECIAL BUSINESS

The Directors have recommended capitalization of reserve for issue of Bonus Shares. The Directors are interested in the business to the extent of Bonus Shares which they will be entitled to receive on their respective shareholding in the Company.

The Directors of the Company have no interest in the Special Business and / or the Resolution except to the extent of their respective shareholdings and remuneration in the Company.

Karachi,
25 July 2014

By Order of the Board


(Muhammad Abdul Aleem)
Company Secretary

Notice of Annual General Meeting

NOTES

1. Closure of Share Transfer Books

The Share Transfer Books of the Company will remain closed from August 21 to August 29, 2014 (both days inclusive). Transfers received in order at the office of Share Registrar, M/s. FAMCO Associates (Pvt.) Limited, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi by the close of business on August 20, 2014 will be considered in time to determine the above mentioned entitlement and to attend and vote at the Meeting.

2. For Candidates participating in the Election of Directors

Any person who seeks to contest an election to the office of Director shall, whether he/she is a retiring Director or otherwise, file with the Company at its Registered Office not later than fourteen days before the date of the meeting, (i) a notice of his/her intention to offer himself / herself for election as a Director; (ii) a declaration on the matters required by the Code of Corporate Governance and the Company (specimen may be obtained from Registered Office); (iii) a consent on prescribed Form 28 and (iv) attested copy of CNIC and NTN.

3. Participation in the Annual General Meeting

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

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

A. For Attending the Meeting:

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



Notice of Annual General Meeting

4. Notice to members who have not provided their CNIC/NTN

Shareholders who have not submitted copy of valid CNIC (individuals) / NTN (corporate entities) are once again advised to submit the same without further delay to ensure compliance with the Securities and Exchange Commission of Pakistan (SECP) Notification S.R.O. 19(l)/2014 dated 10th January 2014 read with Notification S.R.O. 831(1)/2012 dated 5th July 2012.

IMPORTANT:

Pursuant to the Finance Act 2014, all individuals/companies/association of persons whose CNIC/NTN is not included in the list of 'FILERS' available at Federal Board of Revenue's (FBR) website <http://www.fbr.gov.pk> are liable to deduction of tax at source at higher rate on dividend(s).

5. Payment of Cash Dividend Electronically (e-Dividend)

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

6. Change of Address

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

Shareholders are requested to provide **CNIC/NTN, e-dividend information and change of address** to (i) respective Central Depository System (CDS) Participants and (ii) in case of physical securities to the Company / Share Registrar.

Glossary

1	ACCA-WWF	Association of Chartered Certified Accountants - World Wildlife Fund
2	AGM	Annual General Meeting
3	BAC	Board Audit Committee
4	BHR&RC	Board Human Resource and Remuneration Committee
5	BIC	Board Investment Committee
6	BoD	Board of Directors
7	CCG	Code of Corporate Governance-2012
8	CCTV	Closed Circuit Tele Vision
9	CDC	Central Depository Company of Pakistan Limited
10	CDS	Central Depository System
11	CEO	Chief Executive Officer
12	CFO	Chief Financial Officer
13	CGR	Corporate Governance Rating
14	CNIC	Computerized National Identity Card
15	COSO	Committee of Sponsoring Organizations of the Treadway Commission CSA
16	CPI	Consumer Price Index
17	CRC	Child Registration Certificate
18	CSR	Corporate Social Responsibility
19	DFI	Development Financial Institution
20	ECO	Economic Cooperation Organization
21	EPA	Environment Protection Agency
22	EPS	Earnings per Share
23	EU	European Union
24	FBR	Federal Board of Revenue
25	FPAP	Fire Protection Association of Pakistan
26	GDP	Gross Domestic Product
27	HIRC	Hazards Identification Risk Assessment and Controls
28	HR&A	Human Resource and Administration
29	HSE	Health, Safety and Environment
30	IAS	International Accounting Standards
31	ICAP	Institute of Chartered Accountants of Pakistan
32	ICF	Impressed Court Fee
33	ICMAP	Institute of Cost & Management Accountants of Pakistan
34	IDRO	Industrial Development and Renovation Organization of Iran
35	IFAC	International Federation of Accountants
36	IFRIC	International Financial Reporting Interpretation Committee
37	IFRS	International Financial Reporting Standards
38	IMS	Integrated Management System
39	ISO	International Organization for Standards
40	IT	Information Technology
41	JCR	Japan Credit Rating Company Limited
42	KSE	Karachi Stock Exchange Limited
43	MAP	Management Association of Pakistan
44	MCC	Motor Control Cabinet
45	MD	Managing Director
46	MGD	Million Gallons per Day



Glossary

47	MIS	Management Information System
48	NADRA	National Database Registration Authority
49	NBFI	Nom-Banking Financial Institution
50	NEQS	National Environment and Quality Standard
51	NFEH	National Forum for Environment & Health
52	NGOs	Non-Government Organizations
53	NIT	National Investment Trust Limited
54	NJ	Non Judicial
55	NPOs	Non-Profit Organizations
56	NTN	National Tax Number
57	OHSAS	Occupational Health and Safety Assessment Series 18001:2007
58	PCP	Pakistan Centre for Philanthropy
59	PICG	Pakistan Institute of Corporate Governance
60	PM-1	Paper Machine-1(Scrapped)
61	PM-2	Paper Machine-2 (In operation)
62	PPEs	Personal Protective Equipments
63	PSPC	Pakistan Security Printing Corporation (Pvt.) Limited
64	QA/R&D	Quality Assurance / Research & Development
65	QMS	Quality Management System
66	RCD	Regional Cooperation for Development
67	RO	Reverse Osmosis
68	SC	Supply Chain
69	SECP	Securities and Exchange Commission of Pakistan
70	SEPL	The symbol code for dealing in shares of the Company
71	SHAS	Sumer Holding A.S. Genel Mudurlugu, Turkey
72	SLIC	State Life Insurance Corporation of Pakistan
73	SPL / the Company	Security Papers Limited
74	WPPF	Workers Profit Participation Fund
75	WWF	Workers Welfare Fund

Inside Factory





Form of Proxy

I/We _____ of _____
_____ being member(s) of SECURITY PAPERS LIMITED and holder
of _____ Ordinary Shares as per Share Register Folio/CDC Account No. _____ hereby
appoint _____ Folio/CDC Account No. _____ of _____ CNIC
No. or Passport No. _____ or failing whom _____ Folio/CDC Account
No. _____ of _____ CNIC No. or Passport No. _____ who is also a
member of the Company as my/our proxy to attend and vote for me/us and on my/our behalf at the 49th ANNUAL
GENERAL MEETING of the Company to be held on Friday, August 29, 2014 at 11:00 AM and at any adjournment
thereof.

Signed this _____ day of _____ 2014.

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

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

**Rs 5/-
Revenue
Stamp**

IMPORTANT

1. This form of proxy, duly completed and signed, must be deposited at the Company's Registered Office not later than 48 hours before the meeting.
2. This form should be signed by the Member or by his/her attorney duly authorised in writing. If the Member is a Corporation, its common seal should be affixed to the instrument.
3. A Member entitled to attend and vote at the meeting may appoint any other Member as his/her proxy to attend and vote on his/her behalf except that a corporation may appoint a person who is not a Member.

For CDC Account Holders/Corporate Entities:

In addition to the above, following requirements have to be met:

- (i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC or Passport Numbers shall be mentioned on the form.
- (ii) Attested copies of CNIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (iii) The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.
- (iv) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.



Security Papers
LIMITED

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

REGISTERED OFFICE & SHARES DEPARTMENT: Jinnah Avenue, Malir Halt, Karachi-75100. Ph: (+9221) 99248285 Fax: (+9221) 99248286
FACTORY: Jinnah Avenue, Malir Halt, Karachi-75100 Ph: (+9221) 99248536-37 Fax: (+9221) 99248616

Designed by: *makim*
Printed by: CORPORATE