

# Annual Report 2018



*Security Papers*  
LIMITED

OHSAS 18001: 2007, ISO 9001:2015 & ISO 14001:2015 Certified



## History of Major Events

<b>Incorporation of the Company (as a private Company)</b>	<b>1965</b>
<b>Signing of contract for the supply of Paper Machine-1 (PM-1) with Mills-Paugh, U. K.</b>	<b>1966</b>
<b>Conversion into public Company</b>	<b>1967</b>
<b>Listing on the Pakistan Stock Exchange</b>	<b>1967</b>
<b>Start of commercial production of PM-1</b>	<b>1969</b>
<b>Signing of contract for supply of Paper Machine-2 (PM-2) with Voith Paper, Germany (Obsolete PM-1 made redundant and scrapped)</b>	<b>2001</b>
<b>Start of Commercial Production of PM-2</b>	<b>2003</b>
<b>Formal inauguration of PM-2 by the Prime Minister</b>	<b>2004</b>
<b>Installation of Reverse Osmosis (RO) Plant</b>	<b>2006</b>
<b>Commissioning of Co-Generation Power Plant</b>	<b>2009</b>
<b>Modification and upgrading of plant</b>	<b>2011</b>
<b>Commissioning of new Mould Cover preparation building</b>	<b>2012</b>
<b>Commissioning of Dry Cleaning Plant</b>	<b>2014</b>
<b>Commissioning of Thread Unwind System</b>	<b>2015</b>
<b>Production of Passport Paper</b>	<b>2016</b>
<b>Installation of Breaker and Beater Assemblies and Stainless Steel chests</b>	<b>2018</b>

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# **Board of Directors**

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**Muhammad Haroon Rasheed**  
Chairman



**Ali Hussain**  
Chief Executive Officer



**Sheikh Mohammad Aijaz Akhtar**



**Dr. Abolghassem Jamshidi**



**Memet Ozyavuz**



**Jamal Nasim**



**Muhammad Ayub**



**Shoaib Mir**



**Rauf Ahmad**



**Naveed Ehtesham**



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## Corporate Awards



33<sup>rd</sup> Corporate Excellence Awards of MAP



## Chairman's Review

It gives me immense pleasure to present this report to the shareholders of Security Papers Limited (SPL) pertaining to the overall performance of the Board and the effectiveness of its role in attaining the Company's aims and objectives.

### **Business Performance**

The year under review was a momentous year for SPL as the Company achieved significant growth in its operations. In a challenging business environment the Company has earned profit after tax of Rs 738.41 Million. To pass on the benefit of this performance, the Board has proposed a dividend of Rs 8/- per share for Financial Year 2017-18 for approval of members at the Annual General Meeting to be held on 31st August 2018. During the period under review, the Company successfully met the challenge of growing demand for Banknote and Other Security Paper in the country. By the grace of Allah, sales registered a growth of 22% as we were able to supply the highest ever quantity of Banknote Paper to our major customer Pakistan Security Printing Corporation (Private) Limited.

During the year under review the production facilities of the Company were operated at optimal level to produce high quality Banknote and Other Security Paper. The Company had also undertaken significant capital expenditure to tap the potential of growing demand for security paper by expanding its production facilities. With the increase in demand for Banknote and Other Security Paper, it became necessary to enhance pulping capacity. During the year under review, a set of Beater and Breaker Assemblies and Stainless Steel Chests were installed to enhance the capacity of the Pulp Mill. During the year the existing Multi Motor devices were replaced to upgrade the production facilities.

Another major challenge during the year was the rising prices of locally produced raw materials and eroding value of the Rupee. To manage this risk, a number of cost effective and profit improvement initiatives were taken to ensure effective controls on cost and maintain efficient operations.

The Company has also initiated the following projects to ensure continued supply of its products to its customers:

- Water Re-Cycling Plant
- Gas Generator
- Reverse Osmosis Plant

The above projects are expected to be completed within 1 - 2 years.

### **Business Process Re-engineering**

The Company is pursuing business process re-engineering and re-designing of core business processes to achieve improvement in productivity, improve customer service and reduction in operational costs. During the year under review, business process re-engineering efforts resulted in curtailment of production losses and improvement in quality of paper, thus delivering more value to our customers.

### **Health Safety & Environment**

The Company is committed to maintain high standard of Health, Safety and Environment (HSE) to ensure environmental protection and safety at work. The Company has a dedicated HSE department to oversee the implementation of HSE objectives. The level of management's commitment to HSE standards can be judged from the fact that by the Grace of Allah no major accident was reported during the year.





## Chairman's Review

### Code of Ethics and Compliance

Compliance based code of ethics is developed to ensure that the company and its employees comply with all laws and regulations in an appropriate manner. The Code of ethics outlines the mission and values of the organization. The Code which is approved by the Board is communicated to all employees. The Company has also implemented an effective whistle blowing program which is easily accessible to all categories of employees. In addition, the Company has introduced a policy on insider trading for the employees and directors.

### Financial Management

The Company remained focused on effective management of funds in such manner as to accomplish the objectives of the organization. The aim of our financial management is to maximize profits. During the year the inventory levels and trade receivable were managed effectively to accomplish business objectives which added value for the shareholders. Throughout the year the Management was much focused on cost effectiveness and profit improvement plans. The Company held a diversified investment portfolio comprising of investments in Government Securities, Islamic Equity and Equity related Mutual Funds and Bank Deposits.

### Internal Audit

The Company has an independent Internal Audit department, which leads the internal audit function. The internal audit function is concerned with evaluating and improving the effectiveness of risk management, control and governance processes in the Company. It is an independent appraisal activity within the Company to examine and evaluate its financial and operational matters. Internal audit's scope covers financial as well as operational aspects and is an effective tool to monitor compliance with management policies; internal audit reviews are risk based and impartial. Based on recommendation of Board Audit Committee, the internal audit function carried out analyses, appraisals and providing recommendations, advice and information concerning the activities reviewed.

The objective of internal audit is to achieve operational efficiency, safeguard of profitability and Company's interests and establishment and observance of internal controls.

### Safety and Security

The Company is the sole manufacturer of Banknote and Other Security Paper. The continuity of operations as well as security and safety of production facilities and human capital is prime concern of the Management. The Security department is aided by the Defence Services Corp of the Pakistan Army. Security personnel are well equipped to monitor, identify and overcome all challenges. The Management ensures continuing upgrade of the existing infrastructures to cater to the security requirements of the Company.

### Energy Conservation

The Company has a self co-generation power plant and is concerned to reduce the consumption of energy to bridge the gap between energy supply and increasing demand. The Company has adopted energy saving systems and cleaner production techniques through regular monitoring and the best practices. Employees are encouraged to switch off lights, equipments and air conditioners when not in use. Also heat insulation is provided in steam lines and tanks to avoid heat losses. All electrical equipments are properly maintained to save the energy.

### Human Resource and Administration

We are committed to development and well being of our employees so that they help the business gain a competitive advantage. The Company has a broad and interactive approach towards its employees. The prime objective of Human Resource department is to recruit, develop and retain the highest quality of human capital. The Company strives to create an environment in which employees can realize their full potential through professional development programs to maximize their performance.



## Chairman's Review

During the year an automated Bell Curve based Performance Management System has been implemented. Besides a structured and transparent promotion system was developed and implemented. The Company took several initiatives to identify employees' training needs and arranged various training programs covering soft and technical skills. The Company has introduced a quarterly Newsletter which communicates useful information about progress and achievements of the Company to all the stakeholders of the Company. The human resource department also organized Eid Milan Party and commemorated International Women's Day which was attended by the entire female workforce.

The Company has taken several measures towards employees' welfare by revamping Hajj policy, merit scholarship for employees' children and reward recognition program and sexual harassment policy, etc.

### Information Systems

The Information Technology (IT) Steering Committee provides guidelines and ensures oversight of the Management Information Systems (MIS) as per the business requirements. The Company terms effective and rapid flow of information as a key to the quality management and services and recognizes information technology as the most essential tool for sustaining the business growth.

Leveraging information technology in business operations has created a significant competitive advantage. The information technology systems are Oracle based and managed by a professionally staffed team. During the year under review, the Company took steps to improve information technology infrastructure with a view to improve operational efficiency. Use of Oracle applications may allow the Company to advance new ways for controlling costs.

### Business Continuity / Disaster Recovery Plan

The Management is focused on business continuity and disaster recovery processes to prepare for disruptive events and manage unforeseen risks. The following measures were in place to ensure business continuity in case of any disruptive events:

- Comprehensive and state of the art Security System
- Comprehensive fire prevention and fire fighting systems
- Backups of the Management Information System (MIS)
- Adequate insurance coverage
- Succession planning

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

The Company had contributed Rs 669 Million to the national exchequer on account of sales tax, income tax and import duties as compared to Rs 597.53 Million during the corresponding period. In addition, the Company has also made foreign exchange savings of US\$ 28.51 Million (approx.) through import substitution during the year as compared to US\$ 26.87 million in the corresponding period.

### Corporate Excellence Award

Security Papers Limited has won the MAP's 33rd Corporate Excellence Award conferred by the Management Association of Pakistan (MAP), Karachi. The Corporate Excellence Awards are conferred by the MAP with an objective to recognize the listed companies which excel in corporate and management practices.

The Company holds 24th to 29th (six times running) and 31st to 33rd Awards of the MAP. This is the ninth time the Company has been recognized in this category since the inception of this award in 1982.



# Security Papers LIMITED

## Chairman's Review

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

### Top Companies Award

During the year under review the Pakistan Stock Exchange Limited (PSX) has announced the names of Top 25 Companies including Security Papers Limited for the year 2016. The Company has the distinction of receiving Top Companies Award of PSX for the year 2000 to 2007 and 2009 to 2015.

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

### Environment Excellence Award

National Forum for Environment and Health (NFEH) has conferred the 15th Annual Environment Excellence Award 2018 to Security Papers Limited. The distinguished 'Penal of Jury' has unanimously decided to confer the 15th Annual Environment Excellence Award 2018 to the Company. The award has been instituted to recognize the Company's vision and its effective implementation of environment management system, policies and testimonials.



The Company had also received 11th Annual Environment Excellence Award 2014 in recognition to promote the organizations making outstanding contribution to sustainable development and economic growth of the country.

### Future Outlook

The overall economic environment continues to be conducive for growth. Availability of energy supplies and improvement in law and order situation has promoted business climate. As we move forward, we should face competition and challenges due to ever changing economic and business environment. Our people remain crucial for the continued growth of the business.

However, uncertain political environment, inflation and adverse impact of rupee depreciation continue to pose challenges for the future. General elections may have a positive impact in shape of increasing government expenditure. There is urgency in the area of tax reforms to contain fiscal deficit and improve tax to GDP ratio. The Company is committed to achieve profitable growth and operational excellence.

### Acknowledgement

On behalf of the Board of Directors, I would like to express gratitude to our stakeholders for their continued support and encouragement and place on record the appreciation of the valuable services rendered by the employees of the Company. I also acknowledge the commitment and diligence of my fellow directors during the year under review and thank our Chief Executive Officer and his team for their concerted efforts.

**MUHAMMAD HAROON RASHEED**  
Chairman

Karachi  
Dated: 27th July 2018



## Directors' Report

Directors of the Company are pleased to present their report together with the Audited Financial Statements of the Company for the year ended 30th June 2018.

### Financial Results

The operating results of the Company for the year ended 30 June 2018 are summarized as follows:

	2018 (Rupees in '000)	2017
Profit before taxation	<b>1,079,885</b>	1,304,126
Taxation		
Current - for the year	<b>346,867</b>	400,655
Current - for prior year	<b>3,478</b>	(1,649)
	<b>350,345</b>	399,006
Deferred	<b>(8,872)</b>	(32,533)
	<b>341,473</b>	366,473
Profit after taxation	<b>738,412</b>	937,653

### Earnings per share

The earnings per share (EPS) - before and after taxation is Rs 18.22 and Rs 12.46 (2017: Rs 22.00 and Rs 15.82) respectively.

### Dividend

The Board of Directors of the Company has recommended following appropriations for the FY 2017-18 for approval of members at the Annual General Meeting to be held on 31st August 2018:

Cash dividend of Rs 8.00 per share, i.e. 80% (2017: Rs 8.00 per share, i.e., 80%).

### Transfer to Revenue Reserve

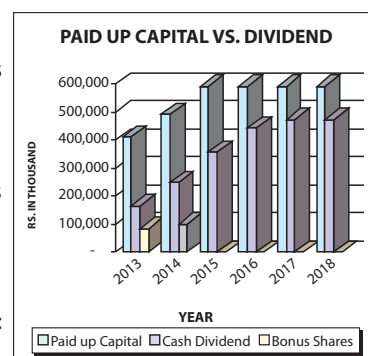
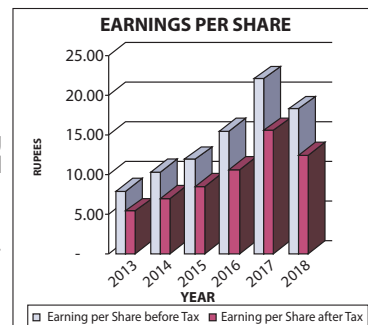
Rs 264.36 Million (2017: Rs 463.60 Million).

These appropriations would be reflected in the subsequent financial statements, in compliance with the revised Fourth Schedule to the Companies Act, 2017.

### Market and book value per share

The book value per share stood at Rs 79.41 as against Rs 77.64 in the previous year. Before and after tax return on equity worked out to be 22.95% and 15.69% as compared to 28.35% and 20.38% in the corresponding period respectively.

The average market price during the year remained at Rs 142.75 (2017: Rs 131.93) per share. The market price as of 30 June 2018 was Rs 121.02 (2017: Rs 145.95). During the period, the share price of SPL witnessed a high of Rs 168 per share and a low of Rs 118 per share. The KSE-100 Index witnessed a high of 47,804 pts and a low of 37,919 pts during the year. In line with the negative performance of the overall Stock market, the share price of SPL was also negatively affected.





## Directors' Report

### Business Review

In a challenging business environment the Financial Year 2017-18 was another year of record performance with an ever highest sales of Rs 3,466.92 Million. The after tax profit was Rs 738.41 Million. The Directors and the Management have been closely monitoring the performance of the business with a focus to achieve continued improvements in productivity and efficiency while optimizing costs and processes to ensure sustainable growth of the Company.

The increase in sales revenue is attributable to higher sales volume, increase in selling prices and better product mix. The Management was much focused on internal efficiencies and improving quality of our products and determined efforts to reduce the cost of doing the business. The Company is well poised to encounter future challenges through various measures including innovation, planning and controlling costs, operational analysis, expanding product base and prudent financial management. The Company is constantly exploring business development opportunities to expand our foot print in other security paper products.

### Operational Performance

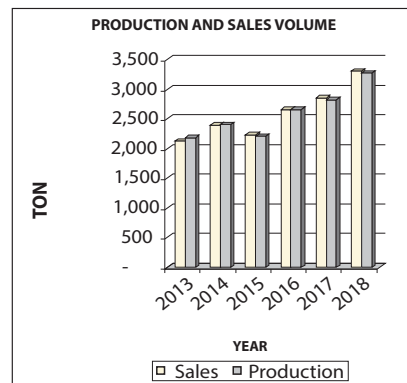
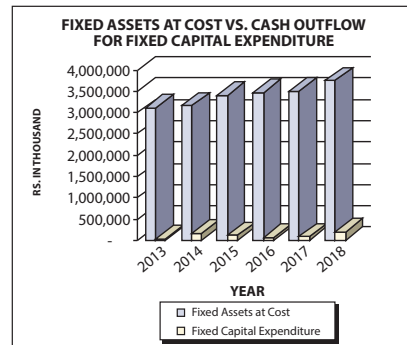
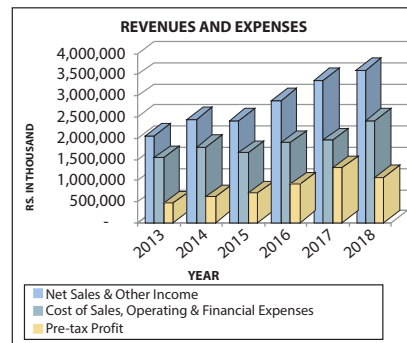
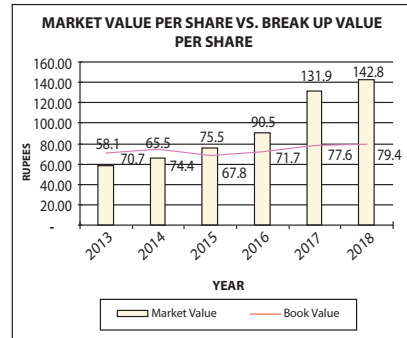
Sales recorded significant growth of 22% as compared to the Financial Year 2016-17. The Company earned highest ever gross profit of Rs 1,293.22 Million during the year under review as compared to Rs 1088.41 Million in the previous year. The increase in gross profit during the current year as compared to the corresponding year was mainly attributable to higher sales and operational efficiencies.

Other income decreased by Rs 389 Million during the year under review as compared to the previous year mainly due to absence of capital gains and dividend income from investments in Islamic Equity and Equity related Mutual Funds included in other income. SPL is invested in top rated Mutual Funds of the industry. However, the performance of equity and equity related Mutual Funds remained subdued owing to bearish trend of the Equity Market due to heightened political noise and deteriorating macroeconomic indicators during the period under review. As a result, our investment income also declined.

The profit after tax of Rs 738.41 Million has been earned for the year under review as compared to Rs 937.65 Million during the previous year. The decline in Company's profitability during the year under review was primarily due to decrease in other income.

### Production

The Company operated at optimum production capacity to meet the increasing sales requirements. The Company produced the highest ever quantity of 3,273 tons Bank note and Other Security Paper as against 2,822 tons last year. The Supply Chain Management team ensured continuous availability of raw materials by working closely with all vendors.







## Directors' Report

The Management was able to keep cost of production at optimum level by curtailing production losses, utilizing resources effectively, and maximizing output to achieve efficiency objectives. Technical matters were handled well by trained and experienced technicians and engineers. A system of preventive maintenance was in place and all production processes were effectively monitored, corrective actions were taken and preventive measures were planned and implemented.

### Sales

The net sales revenue of the Company for the year ended 30th June 2018 had increased to Rs 3,466.92 Million showing an increase of Rs 624.83 Million over the last year. The increase in sales was mainly contributed by Banknote Paper. The Company achieved a sales volume of 3,303 tons as against 2,858 tons during the corresponding period which includes Banknote Paper, Prize Bond Paper, Passport Paper, Non-Judicial Paper, Child Registration Certificate Paper and Board and Degree Papers. Gross margin for the year increased from Rs 1,088.41 Million to Rs 1,293.22 Million.

Bank note sales grew by 19.82% during the year under review. The growth in sales was achieved from a combination of increase in selling prices and higher sales volume. Margins remained under pressure due to rising costs of raw material and production overheads. A combination of cost reduction and cost control measures helped to manage profitability for the business.

Other Security Paper (OSP) mainly includes Non-Judicial Paper, Prize Bond Paper, Passport Paper, Child Registration Certificate Paper and Educational Degree and Certificate Paper. Sales of these products grew by 33.97% due to higher demand from our customers.

### Risk Management

Risk management process encompasses identification of strategic, financial, operational, legal and external risks and ensuring appropriate measures to minimize adverse effects on the Company's performance. Strategic risks arising from customers' demand and capacity utilization create a risk of loss of business and related margins. These risks are addressed through strategic business alignment and its effects are addressed in the budgeting process of the Company.

The Company is dependent on availability of high quality cotton comber, security thread and imported chemicals. Water is one of the main raw materials and its availability is vital for operations. The ongoing pressure on PKR carries a huge risk and any further devaluation would have an adverse impact on the bottom line of the Company. Financial risks include credit risk, market risk and liquidity risks. An effective risk management process is in place and action plans are identified to address issues and mitigate risks.

### Cash Flow Management

During the year under review an amount of Rs 1,013 Million was generated from the operating activities of the Company and Rs 120.54 Million received on account of mark up on investments. The Company made an investment of Rs 249 Million in Government Securities and Bank deposits. The Company incurred an amount of Rs 194.50 on capital expenditure and paid an amount of Rs 443.12 Million as dividend to the shareholders.

### Long term debt equity and current ratios

The long term debt-equity and the current ratios of the Company as at 30 June 2018 worked out to 0.00:1 and 3.93:1 (2017: 0.00:1 and 3.87:1) respectively. The current ratio improved mainly due to increase in current assets.

### Principal Activity

The principal activity of the Company is manufacturing of specialized paper for Banknote and Non- Banknote security documents.



## Directors' Report

### Product Diversification

We have continued our efforts to explore business opportunities and expanding its products that are related to current business. We have added some new products i.e. Cheque Paper, Passport paper and Child Registration Certificate Paper to our product line to increase profitability and achieve high sales volume from new products.

### 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.

### Forward Looking Information

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

The Company has delivered another very good overall performance this Financial Year and the directors remain confident that the Company is well positioned to capitalize on growth opportunities in the coming year and is working to enhance its product range and productive capacity through innovative plant upgrade and optimization that will be to the benefit of our shareholders, employees and customers.

### Corporate Social Responsibility

The Corporate Social Responsibility Policy includes corporate social contributions in the areas of welfare spending for under-privileged classes and community investments.

SPL is committed to achieving tangible, sustainable fulfillment of our corporate social responsibilities. We are focused on playing an active role in supporting and working with its stakeholders for sustainable community and social development of Pakistan.

SPL contributed Rs 3.05 Million to Sindh Graduates Association for following projects:

Rs 2.3 Million was contributed for installation of 4 drinking wells and 29 hand pumps to provide clean drinking water to the drought stricken people of Thar. This will go a long way in improving the socioeconomic conditions of the people of Thar. The water wells dug will provide ample drinking as well as usable water at their doorstep which will also improve their health.

Rs 0.75 Million was contributed in the Education Sector by collaborating with Roshan Tara School with an aim to provide quality education to a deprived and neglected area of Malir, thus lifting them from poverty.

SPL made various contribution during the year to positively impact the under privileged people nationwide. Ensuring its commitment to health care projects contributed Rs 3 Million in the Health Sector by collaborating with Health and Nutrition Development Society (HANDS), one of the largest non-profit organizations of the country for health and well being of women living in poor and remote areas in the suburbs of Karachi.

SPL also contributed Rs 1.5 Million in the Health Sector by collaborating with various NGOs / institutions i.e. Edhi, Chhipa, SIUT, JPGMC etc. for health and well being of the poor people of the country.





## Directors' Report

Further, Rs 0.43 Million was contributed to Kiran Foundation for children of Lyari and internship program for the youth of society.

SPL also contributed Rs 0.3 Million for renovation of a basketball court at SOS Children's Village, Karachi. Previously, the basketball court was substandard and was prone to injuries for the orphans who play there.



### 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 Company has successfully upgraded its Quality and Environment Management Systems to comply with new version of international standards ISO 9001:2015 and ISO 14001:2015.

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

We strive to make time based efforts for reducing and eliminating unsafe and unhealthy work practices / conditions. A health and safety surveillance Committee (HSSC) has been formed to address the weaknesses raised by risk analysis assessments of the work environment. Personal Protective Equipments have been provided to concerned departments to ensure their usage. A comprehensive documented system with appropriate standard operating procedures / manuals and specifications have been established to ensure health, safety and security at work place.

A detailed Occupational Health and Safety "Hazards Identification, Risk Assessment and Controls" (HIRAC) have been performed for normal, abnormal and emergency situations within the organization.

### The Environment Management System (ISO 14001: 2015)

We have implemented environmental programs in a comprehensive, systematic, planned and documented manner. It includes implementing policy for environmental protection and setting goals for compliance with regulatory standards such as National Environment and Quality Standard (NEQS) and Environment Protection Agency (EPA) Standards, etc.

The ISO certification on environment management system re-assures safe environment for plant operations, workers and their community. We maintain cleanliness and green environment in and around factory area to control pollution.

We are concerned about reduction of waste and efficient use of natural resources (electricity, water, gas, fuels etc), and following global practices to protect the environment.

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





# Security Papers LIMITED

## Directors' Report

### Quality Management System (ISO 9001:2015)

A documented Quality Management System (QMS) based on International Quality Management System (ISO 9001:2015) is progressing smoothly with increasing ownership. We maintain high standards of quality in the production of Banknote and Other Security Paper. Conformance to the quality parameters and desired specifications is an integral part of our Quality Management System. Maintaining ISO certification is a proof of the sustainability of achievement accomplished for the quality services provided to our customers as well as adopting best international practices and procedures with respect to the Quality Management Systems.

Periodic risk based internal and external surveillance audits for compliance have been conducted and reported to the management for review at regular intervals.



### Internal Financial Controls

A system of sound internal control is established and implemented at all levels within the company. The system of internal control is sound in design for ensuring achievement of Company's objectives and operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies.

### Financial Statements

The auditors of the Company, EY Ford Rhodes, Chartered Accountants, audited the financial statements of the Company and have issued an unqualified report to the members.

### Related Party Transactions

All related party transactions during the Financial Year 2017-18 were placed before the Audit Committee and the Board for their review and approval. These transactions were reviewed by the Audit Committee and approved by the Board. All these transactions were in line with the transfer pricing methods and the policy for related parties approved by the Board.

### Corporate and Financial Reporting

The Financial Statements prepared by the Management of the Company present fairly its state of affairs, the result of its operations, cash flow and changes in equity. The Company is committed to good corporate governance. The Financial Statements together with notes thereto have been drawn up in conformity with the Companies Act, 2017, International Financial Reporting Standard have been followed in the preparation of the Financial Statements. Accounting policies have been consistently applied in the preparation of the financial statements.

### Compliance with the Code of Corporate Governance

The "Statement of Compliance with the Code of Corporate Governance" (CCG) is annexed (page 44).

### Pattern of Shareholding

The pattern of shareholding is annexed (page 99).

### Auditors

The auditors, EY Ford Rhodes, Chartered Accountants, retire at the conclusion of the Annual General Meeting. Being eligible, they have offered themselves for re-appointment. Their re-appointment will be subject to change in engagement partner in compliance with the Code of Corporate Governance for listed Companies.

As suggested by the Audit Committee, the Board recommended the appointment of KPMG Taseer Hadi & Co., Chartered Accountants as auditors of the Company for the year 2018-19.



## Directors' Report

### Board and Committees Changes

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

Mr. Muhammad Haroon Rasheed, Non-Executive Director joined the Board as nominee of Pakistan Security Printing Corporation (Pvt.) Limited in place of Mr. Muhammad Misbah Tunio,

Mr. Ali Hussain, Executive Director joined the Board as nominee of Pakistan Security Printing Corporation (Pvt.) Limited in place of Mr. Shamsuddin Soomro.

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

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

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

### Composition of the Board

The composition of the Board is in compliance with the requirements of Code of Corporate Governance Regulations, 2017 applicable on listed entities which is given below:

Total number of Directors		
(a) Male	-	10
(b) Female	-	Exempted for current term

#### Composition:

(i) Independent Directors	-	3
(ii) Executive Directors	-	1
(iii) Non-Executive Directors	-	6

### Name of Directors

Mr. Muhammad Haroon Rasheed	-	Chairman
Mr. Ali Hussain	-	Director / Chief Executive Officer
Mr. Sheikh Mohammad Aijaz Akhtar	-	Director
Dr. Abolghassem Jamshidi	-	Director
Mr. Memet Ozyavuz	-	Director
Mr. Jamal Nasim	-	Director - Independent
Mr. Muhammad Ayub	-	Director - Independent
Mr. Shoaib Mir	-	Director - Independent
Mr. Rauf Ahmad	-	Director
Mr. Naveed Ehtesham	-	Director

The Board has made sub-Committees which have significantly contributed in achieving desired objectives. These Committees include:

#### ● Audit Committee

Mr. Muhammad Ayub	-	Chairman (Independent)
Sheikh Mohammad Aijaz Akhtar	-	Member
Dr. Abolghassem Jamshidi	-	Member
Mr. Jamal Nasim	-	Member
Mr. Shoaib Mir	-	Member
Mr. Naveed Ehtesham	-	Member





## Directors' Report

### ● Human Resource and Remuneration Committee

Mr. Jamal Nasim	- Chairman (Independent)
Mr. Muhammad Haroon Rasheed	- Member
Mr. Ali Hussain	- Member
Mr. Shoaib Mir	- Member
Mr. Rauf Ahmad	- Member

### ● Investment Committee

Mr. Muhammad Ayub	- Chairman (Independent)
Mr. Ali Hussain	- Member
Sheikh Mohammad Aijaz Akhtar	- Member
Mr. Jamal Nasim	- Member
Mr. Shoaib Mir	- Member
Mr. Naveed Ehtesham	- Member

### ● Project Strategic Committee

Mr. Ali Hussain	- Chairman
Mr. Muhammad Haroon Rasheed	- Member
Mr. Muhammad Ayub	- Member
Mr. Shoaib Mir	- Member
Mr. Rauf Ahmad	- Member

### ● Procurement Committee

Mr. Jamal Nasim	- Chairman (Independent)
Mr. Muhammad Haroon Rasheed	- Member
Mr. Ali Hussain	- Member
Mr. Muhammad Ayub	- Member
Mr. Rauf Ahmad	- Member
Mr. Naveed Ehtesham	- Member

### ● Risk Management Committee

Mr. Muhammad Haroon Rasheed	- Chairman
Mr. Ali Hussain	- Member
Sheikh Mohammad Aijaz Akhtar	- Member
Dr. Abolghassem Jamshidi	- Member
Mr. Rauf Ahmad	- Member

### Remuneration of Directors

The remuneration of the Directors is determined by the Company in the General Meeting as provided by Section 170 of the Companies Act, 2017. The remuneration of the Board of Directors is determined on the basis of standards in the market and reflects demands to competencies and efforts in light of the scope of their work and increase in responsibilities of the directors.

### Board Evaluation

As required by the Listed Companies Code of Corporate Governance Regulations, 2017 the Board has developed a mechanism for evaluation of performance of the Board of Directors. During the year a comprehensive questioner was circulated among all members of the Board for evaluation of performance of the Board of Directors. The key areas covered included:



## Directors' Report

- Strategy and planning
- Measuring and monitoring of performance
- Board operations and effectiveness

Individual feedback was obtained and on the basis of that feedback the average rating of the performance of the Board and role of the Chairman regarding governing the Board was found up to the mark as is evident by the performance of the Company.

### Chairman's Review

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

### Forward Looking Information

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

The Company has delivered another excellent year of operational performance this Financial Year and the directors remain confident that the Company is well positioned to capitalize on growth opportunities in the coming year and is working to enhance its product range and productive capacity through innovative plant upgrade and optimization that will be to the benefit of our all Stakeholders.

### Acknowledgement

On behalf of the Board, We have this opportunity to express our gratitude and appreciation for the contribution made by the managerial staff and workers in achieving the Company's objective. We are also thankful to the Board of Directors, shareholders and customers and other stakeholders for their continued support that will bring continued improvement and success to the Company.

On behalf of the Board of Directors

**ALI HUSSAIN**  
Chief Executive Officer

**MUHAMMAD AYUB**  
Director

Karachi  
Dated: 27th July 2018



# Security Papers LIMITED

## ڈائریکٹرز رپورٹ

سال ختمہ 30 جون 2018 کمپنی کی آڈیٹڈ نیشنل اسٹیٹمنٹس کی رپورٹ کمپنی کے ڈائریکٹرز پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

### مالیاتی نتائج

سال ختمہ 30 جون 2018 تک کمپنی کے آپریٹنگ نتائج کا خلاصہ درج ذیل ہے:

(روپے 000 میں)		
2017	2018	
1,304,126	1,079,885	پرافٹ ٹیکس سے قبل
400,655	346,867	ٹیکس
(1,649)	3,478	کرنٹ برائے موجودہ سال
399,006	350,345	کرنٹ برائے گزشتہ سال
(32,533)	(8,872)	ڈیفرڈ
366,473	341,473	ٹیکس کے بعد نتائج
937,653	738,412	

### آمدنی فی شیئر

ٹیکس سے قبل اور بعد میں آمدنی فی شیئر (EPS) 18.22 روپے اور 12.46 روپے (2017: 22.00 روپے اور 15.82 روپے) بالترتیب ہے

### ڈیویڈنڈ

سال 2017-18 کیلئے کمپنی کے بورڈ آف ڈائریکٹرز نے درج ذیل تجاویز ممبران کی منظوری کیلئے 31 اگست 2018 کو منعقد سالانہ اجلاس عام میں دیں۔  
نقد ڈیویڈنڈ 8.00 روپے فی شیئر۔ یعنی 80 فیصد (2017: 8.00 روپے فی شیئر۔ یعنی 80 فیصد)۔

### ریویونیوز روکارٹرانسفر

264.36 ملین روپے (2017: 463.60 ملین روپے)

کمپنیز ایکٹ 2017 کے تحت چوتھے نظر ثانی شدہ شیڈول میں نیشنل اسٹیٹمنٹس میں ان تجاویز کا اظہار ہوا۔

### مارکیٹ اور بک ویلیو فی شیئر

گزشتہ سال 77.64 روپے کے مقابلے میں اس سال بک ویلیو فی شیئر 79.41 روپے پر محکم رہی۔ گزشتہ سال 28.35% اور 20.38% کے مقابلے میں ایکویٹی ورک آؤٹ ٹیکس ریٹرن کے بعد اور قبل 22.95% اور 15.69% رہا۔ اس سال اوسط مارکیٹ پرائز فی مارکیٹ شیئر 142.75 روپے (2017: 131.93 روپے) رہی 30 جون 2018 کو مارکیٹ پرائس 121.02 (2017: 145.95 روپے) تھی۔ اس سال کے دوران SPL کے ہائی شیئر کی قیمت 168 فی شیئر تھی جبکہ کم شیئر کی قیمت 118 فی شیئر تھی۔ اس سال کے دوران KSE-100 انڈیکس کے ہائی پوائنٹس 47,804 تھے اور کم پوائنٹس 37,919 تھے۔ اسٹاک ایکسچینج کی بری کارکردگی کا منفی اثر SPL کی شیئر پرائس پر بھی پڑا۔

### کاروباری جائزہ

مالیاتی سال 2017-18 کے دوران بلند ترین سیل 3,466.92 ملین روپے ایک ہار پھر سے اچھی کارکردگی کے تحت مسابقتی کاروباری ماحول میں ریکارڈ کی گئی۔ جس کا ٹیکس کے بعد نتائج 738.41 ملین روپے تھا۔ کمپنی کے ڈائریکٹرز اور مینجمنٹ پیداوار میں بہتری اور افادیت کا سٹ میں اضافے کمپنی کی محکم ترقی کو مد نظر رکھتے ہوئے مسلسل کارکردگی کی نگرانی کر رہے تھے۔



ریونیٹ میں اضافہ سیکڑ کا حجم بڑھانے، سیل کی قیمت بڑھانے اور بہتر پروڈکٹ دینے کی مہموں منبت ہے۔ مینجمنٹ اپنی پراڈکشن کی کوالٹی بڑھانے کیلئے اقدامات اٹھارہی ہے اور کاروباری لاگت کم کرنے کی کاوشیں بھی کر رہی ہے۔ کپنی کو مستقبل میں درپیش چیلنجوں کے بارے میں معلوم ہے لہذا ان چیلنجوں سے نبرد آزما ہونے کیلئے اختراع، پلاننگ، کیلئے کوسٹ اور کنٹرول، کام کا تجزیہ، پراڈکٹ وسیع کرنا اور اچھی فنانشل مینجمنٹ کی پلاننگ اور اطلاق پر توجہ دی گئی ہے۔

### آپرییشنل پرفارمنس

مالیاتی سال 2016-17 کے مقابلے میں سیل ریکارڈ میں 22% تک کا اضافہ دیکھنے میں آیا ہے۔ کپنی نے گزشتہ سال 1,088.41 ملین روپے کے مقابلے میں اس سال کے دوران 1,293.22 ملین روپے کا بلند خالص منافع حاصل کیا۔ گزشتہ سال کے مقابلے میں اس سال اوسط منافع میں اضافے کا سبب کام کی کارکردگی میں اور سیل میں اضافے کے سبب ہے۔

گزشتہ سال کے مقابلے میں اس سال 389 ملین روپے دیگر اکٹم میں سے کی جہا سلاک، ٹیکسٹی اور ٹیکسٹی سے متعلق میڈیٹل فنڈز جو کہ دیگر آمدنی میں شامل ہیں میں سرمایہ لگا کر، منافع کے حصول اور ڈیو یٹڈ اکٹم حاصل نہ ہونا ہے۔ SPL نے انٹرنی میں ٹاپ ریٹ میچول فنڈز میں سرمایہ کاری کی تھی۔ البتہ، جائزہ لینے والی مدت کے دوران سیاسی حالات میں گزشتہ سال اور ٹیکرو اکٹم اکٹم کیلئے فیڈرل میں بگاڑ کے سبب ٹیکسٹی کی کارکردگی اور ٹیکسٹی سے متعلق میچول فنڈز کم رہے۔ لہذا ہماری سرمایہ کاری کی آمدنی میں کمی رہی۔

گزشتہ سال 937.65 روپے ملین منافع کے مقابلے میں جائزہ لے جانے والے سال میں ٹیکس کے بعد منافع 738.41 روپے ملین رہا۔ اس سال کپنی کے منافع میں کمی کی وجہ دیگر آمدنی میں کمی ہے۔

### پروڈکشن

مطلوبہ سیکڑ کو پورا کرنے کیلئے کپنی نے زیادہ سے زیادہ پروڈکشن کی استعداد پر کام کیا۔ کپنی نے گزشتہ سال 2,822 ٹن کے مقابلے میں اس سال ریکارڈ 3,273 ٹن بینک نوٹ بنائے۔ سپلائی چین کی ٹیم نے ویڈرز کے ساتھ کام کرتے ہوئے خام مال کی فراہمی کو یقینی بنانے رکھا۔ مینجمنٹ نے پروڈکشن کے نقصانات کو کم کرتے ہوئے وسائل کو درست استعمال کیا اور بہتر کارکردگی کے حصول کیلئے آڈٹ پٹ بڑھائی تاکہ پروڈکشن کی کاسٹ بڑھائی جاسکے۔ تکنیکی معاملات اعلیٰ تربیت یافتہ انجینئرز اور ٹیکنیشنز کے سپروٹھے۔ قبل از وقت امتیاز کا نظام قائم کرتے ہوئے پروڈکشن کے عمل کی کڑی نگرانی کی گئی، درست فیصلے لئے گئے اور احتیاطی اقدامات پلان کرتے ہوئے ان پر عمل بھی کیا گیا۔

### سیلز

گزشتہ سال کے مقابلے کپنی کا نیٹ پرافٹ سال پختہ 30 جون 2018 کے اختتام تک بڑھ کر 3,466.92 ملین روپے رہا جس میں 624.83 ملین روپے کا اضافہ دیکھنے میں آیا۔ سیل میں اضافہ بینک نوٹ بیچنے کی سیل کے باعث تھا۔ اس سال کپنی نے 2,858 ٹن کے عوض 3,303 ٹن کے سیل کے حجم میں اضافہ کیا جس میں بینک نوٹ بیچنے، پرائز بوڈ بیچنے، پاسپورٹ بیچنے، نان جوڈیسیل بیچنے، چائلڈ رجسٹریشن شوقیٹ بیچنے، بورڈ ڈوگری بیچنے وغیرہ شامل ہیں۔ اس سال گروس مارجن 1,088.41 ملین روپے سے بڑھ کر 1,293.22 ملین روپے رہا۔

اس سال بینک نوٹ سیل میں 19.82% کا اضافہ ہوا۔ سیل میں اضافہ فروخت کی قیمت بڑھنے اور فروخت کے حجم میں اضافے کی وجہ سے ہوا۔ مارجن پر خام مال اور پروڈکشن اور ہینڈل کی قیمتوں میں اضافے کے سبب دباؤ تھا۔ لاگت کی کمی اور لاگت کو کنٹرول میں رکھنے والے اقدامات نے کاروباری منافع کے حصول میں مدد دی۔

صارفین کی جانب سے دیگر سیکوریٹی بیچنے جیسا کہ نان جوڈیسیل بیچنے، پرائز بوڈ بیچنے، پاسپورٹ بیچنے، چائلڈ رجسٹریشن شوقیٹ بیچنے اور انجیو کیشنل اور شوقیٹ کے بیچنے کی طلب بڑھ جانے کے باعث ان کی فروخت میں 33.97% کا اضافہ ہوا۔

### رسک مینجمنٹ

کپنی کی اچھی کارکردگی کیلئے اسٹریٹجک، فنانشل، آپرییشنل، ایگل اور بیرونی رسک کی نشاندہی کی گئی اور اس بات کی حکمت عملی بنائی گئی کہ کس طرح تمام رسک سے نمٹ لیا جائے اور اس کا کم سے کم اثر کپنی پر ہو۔ صارفین کی طلب کے باعث اسٹریٹجک رسک لاحق تھا جس کے نتیجے میں کاروبار اور صحفہ مارجن میں نقصان لاحق ہو سکتا تھا۔ اس رسک کے ساتھ کپنی کے بجٹ کی کارروائی کے دوران کاروباری حکمت عملی وضع کر کے نبھایا گیا۔



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کمپنی کا دار و مدار اچھی کوآپنٹی کی کاٹن کو مبر، سکیو رٹی، تھریڈ اور اہم پورٹڈ ٹیکسٹائل پر ہے۔ آپریٹرز کیلئے پانی ایک اہم خام مال ہے جس کی فراہمی ضروری ہے۔ پاکستانی روپے کی قدر کی کمی کا کمپنی پر بہت برا اثر پڑ سکتا ہے اور مستقبل میں یہ ایک بڑا رسک ہے۔ مالیاتی رسک میں کریڈٹ رسک، مارکیٹ رسک اور لیویریٹی رسک شامل ہیں۔ رسک مینجمنٹ کا قابل اثر عمل اور اس کیلئے ایک اچھے انجینئرنگ کے طے کرنا ضروری ہے تاکہ اس طرح کے حالات سے نمٹا جاسکے اور ایسے رسک کو کم سے کم کیا جائے۔

### کیش فلو

اس سال 1013 ملین روپے کی رقم کمپنی کی آپریٹنگ سرگرمیوں سے حاصل ہوئے اور سرمایہ کاری کے مارک اپ سے 120.54 ملین روپے ملے۔ کمپنی نے گورنمنٹ سکیورٹیز اور بینک ڈپازٹس میں 249 ملین روپے کا سرمایہ لگایا۔ کمپنی نے 194.50 روپے کھولنے والے ایک سو پینچ سو پچھتر میں خرچ کئے اور 443.12 ملین روپے شیئرز ہولڈرز کو ادا کئے۔

### طویل المعیاد ڈیٹ ایکٹیوٹی اور کرنٹ ریٹو

مورچہ 30 جون 2018 تک کمپنی کا طویل المعیاد ڈیٹ ایکٹیوٹی اور کرنٹ ریٹو بالترتیب 1:0.00 اور 1:3.93 (2017: 1:0.00 اور 1:3.87) رہا۔ موجودہ اثاثوں میں اضافے کے بعد موجودہ ریٹو میں بہتری آئی۔

### بنیادی سرگرمی

کمپنی کی بنیادی سرگرمی بینک نوٹ اور نان بینک نوٹ سکیورٹی ڈائیوونٹس کیلئے اسپیشلائزڈ ہیج میچیفیکر کرنا ہے۔

### پروڈکٹس میں اضافہ

ہم نئے کاروباری مواقع ڈھونڈنے کیلئے سرگرم عمل ہیں اور حالیہ کاروبار میں اضافے کیلئے پروڈکٹس بڑھا رہے ہیں۔ ہم نے نئی پروڈکٹس جیسا کہ چیک پیپر، پاسپورٹ پیپر، چائلڈ رجسٹریشن سٹیٹمنٹ پیپر کا اضافہ کیا ہے تاکہ اپنی نئی پراڈکٹس کے ذریعے سیل بڑھائیں اور منافع میں اضافہ کریں۔

### ٹھوس تبدیلیاں اور عہد

کمپنی کے معاشی سال کے اختتام سے متعلق پبلش شیٹ اور رپورٹ کی تاریخ کے مطابق کمپنی کی معاشی حیثیت میں کسی ٹھوس تبدیلیوں اور وعدوں سے کوئی فرق نہیں پڑا

### مزید معلومات

مزید برآں کمپنی کی تمام تر توجہ اخراج، میکرو اکنامک میں درپیش چیلنجوں میں مواقع تلاش کرنے، سیاسی و سماجی حالات کے مطابق پیداوار بڑھانے اور شیئرز ہولڈرز کی قیمت بڑھانے پر رہی۔ آج کے مسابقتی دور میں کمپنی مستقل اپنے کاروبار کو مستقبل میں درپیش چیلنجوں کے مطابق سنوارنے کی کوشش کر رہی ہے۔

اس مالیاتی سال میں کمپنی نے ایک بار پھر سے بہت اچھی کارکردگی کا مظاہرہ کیا ہے اور ڈائریکٹران اس بات پر متفق ہیں کہ آنے والے سالوں میں کمپنی ترقی کے نئے مواقع تلاش کرے گی، اپنے پلانٹ کو اپ گریڈ کرتے ہوئے اپنی پیداوار میں اضافہ کرے گی جس سے شیئرز ہولڈرز، ملازمین اور صارفین کے فوائد میں اضافہ ہوگا۔

### کارپوریٹ سماجی ذمہ داریاں

ہماری کارپوریٹ سماجی ذمہ داریوں میں معاشرے کی بہتری کیلئے کارپوریٹ کی جانب سے اقدام اٹھانا شامل ہے تاکہ محروم طبقے کی مدد کی جائے اور مختلف کمیونٹیوں پر سرمایہ کاری کی جائے۔ SPL اپنی کارپوریٹ سماجی ذمہ داریاں مستقل بنیاد پر اور بہتر انداز کے ساتھ پورا کرنے پر یقین رکھتا ہے۔ ہم پاکستان میں معاشرے کی بہتری اور کمیونٹی کو محکم ترقی دینے کیلئے اسٹیج ہولڈرز کے ساتھ مل کر کام کرنے پر یقین رکھتے ہیں۔

SPL نے سندھ گریجویٹ ایسوسی ایشن کے درج ذیل پروڈیکٹس کیلئے 3.05 ملین روپے دیئے:

تھری ٹنگ سال سے متاثر عوام کو پینے کا صاف پانی فراہم کرنے کیلئے 4 کنویں اور 29 ہینڈ پمپ بنانے کی غرض سے 2.3 ملین روپے دیئے گئے۔ اس طرح تھری لوگوں کی سماجی و معاشی حالات میں بہتری آئے گی۔ ان لوگوں کے گھر میں دافر مقدار میں پینے کے پانی کی فراہمی کے سبب ان کی صحت میں بہتری آئے گی۔





لمبر کے پسماندہ علاقے میں اعلیٰ تعلیم کی فراہمی سے لوگوں کو غربت سے نکالنے کے مقصد کے تحت روشن تارا اسکول کے ساتھ تعاون سے 0.75 ملین روپے کا عطیہ۔

SPL نے اس سال فریب شدہ کو قومی سطح پر غربت سے نکالنے کیلئے کئی اقدامات اٹھائے ہیں۔ صحت کے شعبے میں ملک کی نان پرافٹ آرگنائزیشنز میں سے ایک آرگنائزیشن ہیلتھ اینڈ نیٹوریشن ڈیولپمنٹ سوسائٹی (HANDS) کے ساتھ تعاون کر کے 3 ملین روپے ہیلتھ کیئر کے پروجیکٹ پر خرچ کئے گئے تاکہ کراچی کے فریب اور پسماندہ علاقوں میں رہنے والی عورتوں کی صحت کی بہتری کیلئے کام کیا جاسکے۔

SPL نے مختلف این جی اوزار اداروں جیسا کہ ایڈی، جھپیا، JPGMC، SIUT، وغیرہ کے ساتھ مل کر 1.5 ملین روپے ملک کے غرباؤں کی صحت کی بہتری کیلئے خرچ کئے۔

مزید برآں 0.43 ملین روپے لیاری کے بچوں اور معاشرے کے نوجوانوں کیلئے انٹرن شپ پروگرام کیلئے کرن فاؤنڈیشن کے تعاون سے خرچ کئے گئے۔

SPL نے 0.3 ملین روپے SOS چلڈرن ولج، کراچی کے باسکٹ بال کورٹ کی تزئین کیلئے عطیہ کئے۔ یہ باسکٹ بال کورٹ وہاں کھیلنے والے یتیم بچوں کو کھیل کے دوران لگنے والے زخموں سے بھی محفوظ رکھے گا۔

### انٹی گریڈ مینجمنٹ سسٹم

کئی مستحکم ترقی کے اپنے وعدے کو پورا کرنے اور اس حوالے سے اقدامات اٹھانے کے اپنے وعدے کو پورا کرنے کیلئے دن رات کام کر رہی ہے۔ بین الاقوامی طور پر منظور شدہ انٹی گریڈ مینجمنٹ سسٹم (IMS) آکیڈمیٹیل ہیلتھ، تحفظ اور کوالٹی کو یقین رکھنے کیلئے نافذ اور ڈاکیومنٹ کیا گیا ہے۔ کئی نئے انٹرنیشنل اسٹینڈرڈز ISO 14001:2015 اور ISO 9001:2015 کے تحت اپنی کوالٹی اور انورٹمنٹ مینجمنٹ سسٹم کو کامیابی سے اپ گریڈ کیا ہے۔

### آکیڈمیٹیل ہیلتھ اینڈ سیفٹی مینجمنٹ سیریز (OHSAS 18001:2007)

ہم غیر صحت مندانہ کام کی پریکٹس اور حالات کو کم کرنے اور ختم کرنے کیلئے کوشاں ہیں۔ کام کے ماحول میں پیدا ہونے والے ریسک کے تجزیے اور اس طرح کی کمزوریوں پر قابو پانے کیلئے ہیلتھ اینڈ سیفٹی سروس واپس کیٹی (HSSC) بنائی گئی ہے۔ ذاتی احتیاطی آلات تمام متعلقہ ڈپارٹمنٹس میں فراہم کر کے ان کا استعمال یقینی بنایا گیا ہے۔ کام کی جگہ پر صحت، تحفظ اور سکیورٹی کی فراہمی کیلئے ایک اسٹینڈرڈ آپریٹنگ طریقہ کار ایمبول اور تصریحات کے ساتھ تفصیلی طور پر واضح کیا گیا ہے۔

آرگنائزیشن میں ایمر جنسی اور عام، غیر اہم حالات میں ایک تفصیلی صحت اور تحفظ کا نظام "Hazard Identification، اور Risk Assessment and Controls" (HIRAC) پر عمل کیا جائے گا۔

### انورٹمنٹل مینجمنٹ سسٹم (ISO 14001:2015)

ہم نے جامع، منضبط، پلان اور دستاویز شدہ انورٹمنٹل پروگرام کا اطلاق کیا ہے۔ جس کے تحت ماحولیاتی تحفظ کیلئے نیشنل انورٹمنٹل اینڈ کوالٹی اسٹینڈرڈ (NEQS) اور انورٹمنٹل پروڈکشن ایجنسی (EPA) اسٹینڈرڈز وغیرہ کی مطابقت سے اہداف کی پیروی کرتا ہے۔ انورٹمنٹ مینجمنٹ سسٹم کی ISO سرٹیفیکیشن پلانٹ آپریشن، ورکرز اور ان کی کمیونٹی کیلئے محفوظ ماحولیاتی ضمانت ہے۔ آلودگی پر قابو پانے کیلئے ہم فیکٹری کے ارد گرد کے علاقے میں صاف اور سبز ماحول برقرار رکھتے ہیں۔ ہم قدرتی وسائل (پانی، بجلی، گیس وغیرہ) کا احتیاط سے استعمال اور ان کو ضائع کرنے سے بچتے ہیں اور ماحول کے تحفظ کیلئے عالمی طریقہ کار پر عمل کرتے ہیں۔

ان تمام اصولوں سے مطابقت کیلئے وقفے کے ساتھ اور بیرونی آڈٹ اور دیر کیلین کیلئے آزاد انورٹمنٹل سرٹیفیکیشن باڈی SGS کی جانب سے لیا گیا ہے۔ ہم ایک ذمہ دار کارپوریٹ ادارے کے طور پر SPL کو ایک گرین کمپنی بنانے کے اپنے عہد کی تجدید کرتے ہیں۔

### کوالٹی مینجمنٹ سسٹم (ISO 9001:2015)

انورٹمنٹل کوالٹی مینجمنٹ سسٹم (ISO 9001:2015) کی بنیاد پر ایک کوالٹی مینجمنٹ سسٹم (QMS) دستاویز کیا گیا ہے جو کہ انورٹمنٹل کو بڑھاتے ہوئے ہمواری سے کام کر رہا ہے۔ ہم بینک نوٹ اور سکیورٹی بیج کی پروڈکشن کیلئے اعلیٰ اسٹینڈرڈ یقین کرتے ہیں۔ ہمارے کوالٹی مینجمنٹ سسٹم کا سب سے اہم حصہ کوالٹی کے لئے مائیکرو پلانوں اور مطلوبہ تصریحات پر پورا اترتا ہے۔ ISO سرٹیفیکیشن رکھنا اس بات کا ثبوت ہے کہ ہم اپنے کوالٹی مینجمنٹ سسٹم کے تحت بین الاقوامی معیار کے مطابق اپنے صارفین کو بہترین سروس فراہم کر رہے ہیں۔

بیرونی اور اندرونی آڈٹس ریسک سروس واپس کی غرض سے وقفے کے ساتھ منعقد کئے جاتے ہیں جس کی رپورٹ مینجمنٹ تک ہر مرتبہ کچھ عرصے میں جائزے کیلئے پہنچائی جاتی ہے۔



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### انٹرنل فنانشل کنٹرول

کمپنی میں ہر لیول پر انٹرنل کنٹرول کا نظام قائم کیا گیا ہے۔ اندرونی کنٹرول کا یہ نظام کمپنی کے مقاصد کے حصول اور کام میں بہتری نیز قوانین و ضوابط اور پالیسیز کے تحت قابل اعتماد فنانشل رپورٹنگ کیلئے ڈیزائن کیا گیا ہے۔

### فنانشل اسٹیٹمنٹس

کمپنی کے آڈیٹرز، EY فورڈ روڈ، چارٹرڈ اکاؤنٹنٹس فنانشل اسٹیٹمنٹس آڈٹ کرتے ہیں اور ممبرز کو ان کو ایفائیڈ رپورٹ جاری کرتے ہیں۔

### متعلقہ پارٹی ٹرانزیکشنز

مالیاتی سال 2017-18 کے دوران متعلقہ پارٹی ٹرانزیکشنز آڈٹ کمپنی اور بورڈ کے سامنے ریویو اور منظوری کیلئے پیش کی گئیں۔ یہ ٹرانزیکشنز آڈٹ کمپنی کی جانب سے ریویو کی گئیں اور بورڈ کی جانب سے منظوری گئیں۔ یہ تمام ٹرانزیکشنز ٹرانسفر پرائسنگ کے طریقہ کار اور بورڈ کی جانب سے منظور شدہ پالیسی کیلئے متعلقہ پارٹیز کی مطابقت سے تھیں۔

### کارپوریٹ اور فنانشل رپورٹنگ

کمپنی کی مینجمنٹ کی جانب سے تیاری گئی فنانشل اسٹیٹمنٹس شفافیت کے ساتھ بنائی گئیں ہیں جس میں اسٹیٹ کے انحصار، آپریشنز کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی پیش کی گئیں ہیں۔ کمپنی اچھی کارپوریٹ گورننس پریکٹس رکھتی ہے۔ فنانشل اسٹیٹمنٹس کی تیاری میں کنٹریزا ایکٹ 2017 سے کے تحت کی گئی ہے۔ نیز فنانشل اسٹیٹمنٹس کی تیاری کیلئے اکاؤنٹنگ پالیسیز کا بھی خیال رکھا گیا ہے۔

### کارپوریٹ گورننس کے کوڈ کے ساتھ مطابقت

”اسٹیٹمنٹ برائے کارپوریٹ گورننس کے کوڈ کے ساتھ مطابقت“ (CCG) ایکٹس (صفحہ 44)

### شیئر ہولڈنگ کا پیٹرن

شیئر ہولڈنگ کا پیٹرن ایکٹس (صفحہ 99)

### آڈیٹرز

آڈیٹرز، EY فورڈ روڈ، چارٹرڈ اکاؤنٹنٹس، سالانہ اجلاس عام کے اختتام پر ریٹائرڈ ہو جائیں گے۔ اہل ہونے باعث انہوں نے اپنے آپ کو دوبارہ اپائنٹ کیلئے پیش کر دیا ہے۔ ان کی دوبارہ تقرری لیزڈ کنٹریزا ایکٹ کے کارپوریٹ گورننس کے کوڈ کی مطابقت سے پارٹنر کی تبدیلی اور ساتھ سے مطابق ہے۔

آڈٹ کمپنی کی تجاویز کے مطابق، بورڈ نے KPMG تاہم ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹس کو سال 2018-19 کیلئے آڈیٹرز کے طور پر مقرر کرنے کی سفارش کی ہے۔

### بورڈ اور کمپنی کی تبدیلی

پچھلی سالانہ رپورٹ سے اب تک درج ذیل تبدیلیاں آچکی ہیں

پاکستان سکیورٹی پرنٹنگ کارپوریشن (پرائیویٹ) لمیٹڈ کی جانب سے نامزد محمد ہارون رشید، نان ایگزیکٹو ڈائریکٹر نے بورڈ کو محمد مصباح تونسوی کی جگہ جوائن کیا ہے

پاکستان سکیورٹی پرنٹنگ کارپوریشن (پرائیویٹ) لمیٹڈ کی جانب سے نامزد علی حسن، ایگزیکٹو ڈائریکٹر نے بورڈ کو شمس الدین سومرو کی جگہ جوائن کیا ہے  
اسٹیٹ لائف انشورنس کارپوریشن آف پاکستان کی جانب سے نامزد شعیب میر، نان ایگزیکٹو ڈائریکٹر نے بورڈ کو نوید کامران بلوچ کی جگہ جوائن کیا ہے

مختلف بورڈ رکنیتوں میں ضروری اہم تبدیلیوں کے نتیجے میں کمپنی کے بورڈ آف ڈائریکٹرز میں بھی تبدیلی آئی ہے

بورڈ نے ممبران کو خوش آمدید کہتا ہے اور بورڈ آف ڈائریکٹرز اور مختلف کمیٹیز سے جانے والے ممبران کو اپنے فرائض خوش اسلوبی سے انجام دینے پر شکر یہ ادا کرتا ہے۔



## بورڈ کی تشکیل

لسٹ اداروں پر لاگو کارپوریٹ گورننس ریگولیشنز 2017 کے کوڈ کے تحت بورڈ تشکیل پایا ہے جو کہ درج ذیل ہے:

تفصیل	کل ڈائریکٹرز کی تعداد
3 (i) آزاد ڈائریکٹرز	10
1 (ii) ایگزیکٹو ڈائریکٹرز	حالیہ مدت کیلئے مستعد ہے
6 (iii) نان ایگزیکٹو ڈائریکٹرز	

ڈائریکٹرز کے نام	ڈائریکٹرز کی تفصیل
محمد ہارون رشید	چیئرمین
علی حسین	ڈائریکٹر ایگزیکٹو آفیسر
شیخ محمد اعجاز اختر	ڈائریکٹر
ڈاکٹر ابولفاسم جمشیدی	ڈائریکٹر
سمیٹ اویاز داؤد	ڈائریکٹر

بورڈ نے مطلوبہ مدتاً صدر کے حصول کیلئے بھی سب کیٹیگریز بنائی ہیں ان کیٹیگریز میں شامل ہیں۔

آڈٹ کمیٹی	ڈائریکٹرز کی تفصیل
محمد ایوب	چیئرمین (آزاد)
شیخ محمد اعجاز اختر	ممبر
ڈاکٹر ابولفاسم جمشیدی	ممبر

ہیومن ریسورس اور ریٹائرمنٹ کمیٹی	ڈائریکٹرز کی تفصیل
جمال نسیم	چیئرمین (آزاد)
محمد ہارون رشید	ممبر
علی حسین	ممبر

انویسٹمنٹ کمیٹی	ڈائریکٹرز کی تفصیل
محمد ایوب	چیئرمین (آزاد)
علی حسین	ممبر
شیخ محمد اعجاز اختر	ممبر

پروجیکٹ اسٹریٹیجک کمیٹی	ڈائریکٹرز کی تفصیل
علی حسین	چیئرمین
محمد ہارون رشید	ممبر
محمد ایوب	ممبر



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محمد ہارون رشید	چیئر مین	ڈاکٹر ابولغاسم ہشیدی	ممبر
علی حسین	ممبر	رؤف احمد	ممبر
شیخ محمد اعجاز اختر	ممبر		

### ڈائریکٹرز کا مشاہرہ

کمپنیز ایکٹ، 2017 کے سیکشن 170 کے تحت کمپنی کی سالانہ میٹنگ میں ڈائریکٹرز کے مشاہرے طے کئے گئے تھے۔ بورڈ آف ڈائریکٹرز کے مشاہرے مارکیٹ کے اسٹینڈرڈز اور اہلیت کی بنیاد پر مبالغہات نیزان کے کام کے اسکوپ اور بطور ڈائریکٹرز ان کی ذمہ داریوں میں اضافے کا اظہار تھے۔

### بورڈ کی تفصیل

لنڈن کمپنیز کے کوڈ برائے کارپوریٹ گورننس ریگولیشنز، 2017 کے تحت بورڈ آف ڈائریکٹرز کی پر فارمنس کا پیمانہ بنایا گیا ہے۔ بورڈ آف ڈائریکٹرز کی پر فارمنس کی جانچ کیلئے سال کے دوران ایک مفصل سوالنامہ تمام ممبران سے پُر کروایا گیا۔ جس میں کچھ اہم امور شامل تھے:

☆ اسٹریٹجی اینڈ پلاننگ ☆ پُر فارمنس کی جانچ اور تفصیل ☆ پُر بورڈ کے کام اور افادیت  
ذاتی فیڈ بیک موصول کیا گیا اس فیڈ بیک کی بنیاد پر بورڈ کی پر فارمنس کی ایورٹج ریٹنگ کی گئی اور بورڈ کی سربراہی کرنے کیلئے چیئر مین کا کردار طے کیا گیا جو کہ کمپنی کی اچھی پر کارکردگی کیلئے لازم ہے۔

### چیئر مین کا جائزہ

بورڈ آف ڈائریکٹرز نے چیئر مین کے جائزہ کی تائید کی انکس (صفحہ 07)

### مزید معلومات

مزید برآں کمپنی کی تمام تر توجہ انخراغ، ہیکرو اکنامکس میں درپیش چیلنجوں میں مواقع تلاش کرنے، سیاسی و سماجی حالات کے مطابق پیداوار بڑھانے اور شیئر ہولڈرز کی قیمت بڑھانے پر رہی۔ آج کے مسابقتی دور میں کمپنی مستقل اپنے کاروبار کو مستقبل میں درپیش چیلنجوں کے مطابق سنوارنے کی کوشش کر رہی ہے۔


اس مالیاتی سال میں کمپنی نے ایک بار پھر سے بہت اچھی کارکردگی کا مظاہرہ کیا ہے اور ڈائریکٹران اس بات پر متفق ہیں کہ آنے والے سالوں میں کمپنی ترقی کے نئے مواقع تلاش کر لے گی اور اپنے پلانٹ کو اپ گریڈ کرتے ہوئے اپنی پیداوار میں اضافہ کرے گی۔ جس سے شیئر ہولڈرز، ملازمین اور صارفین کے فائدہ میں اضافہ ہوگا۔

### تعمریلی کلمات

بورڈ کی جانب سے میں کمپنی کے مقاصد کو حاصل کرنے کیلئے سینجریٹل اسٹاف اور ورکرز کا تہہ دل سے شکر گزار ہوں۔ ہم بورڈ آف ڈائریکٹرز، شیئر ہولڈرز، صارفین اور دیگر اسٹیک ہولڈرز کا کمپنی کی کامیابی اور ترقی میں حصہ ڈالنے کیلئے شکر یہ ادا کرتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

  
محمد ایوب  
ڈائریکٹر

  
علی حسین  
چیئر ایگزیکٹو آفیسر  
کراچی

مورخہ 27 جولائی 2018



## Criteria to Evaluate Board's Performance

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

1. The Board adheres to the laws, rules and regulations, etc. as laid down under the Companies Act 2017, the Memorandum and Articles of Association of the Company, and the Listing Regulations of Stock Exchange including the Listed Companies (Corporate Governance) Regulations, 2017.
2. The Board regularly reviews its performance against the code of ethics and corporate governance best practices that promotes ethical culture in the Company and prevent conflict of interest as member of Board, senior management, and other employees.
3. The Board is effective in delegating to the CEO and top management full responsibility for implementing policies.
4. The decisions on material transactions and significant matters are documented by a resolution passed at a meeting of the Board.
5. Board meetings are conducted in a manner that ensures meaningful participation.
6. The Board has in place a Risk Management Committee for governance of risk and determining risk tolerance appetite of the Company.
7. The Board monitors Company's performance against the planned objectives and advise the management on strategic initiatives.
8. The Board oversees the succession planning and approves hiring, compensation, salary reviews etc. of employees.
9. Internal control system in the Company is structured, formal, risk based, and working effectively and is regularly assessed through internal audit activities.
10. Board members are provided with training and development opportunities to increase their effectiveness.
11. Board members have an excellent attendance record for attending Annual General Meetings.
12. There is a formal and effective mechanism for an annual evaluation of the Board's own performance, member of Board and its Committees.
13. The Board understands and is committed to the Company's mission and vision.
14. Board members act in good faith and in the best interests of the Company and all the stakeholders of the Company.





## Shareholders' Information

### Annual General Meeting

The Annual General Meeting of Security Papers Limited will be held on Friday, the August 31, 2018 at 11:00 AM at Hotel Ramada Plaza Karachi, Star Avenue, Terminal No.1, Jinnah International Airport, Karachi.

Eligible shareholders are encouraged to participate and vote.

### Registered Office

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

### Share Registrar

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

### Auditors

EY Ford Rhodes  
Chartered Accountants

### Investor Relations Contact

Rizwan Ul Haq Khan  
Chief Financial Officer &  
Company Secretary  
Telephone: (+9221) 99248285 & 99248539  
Fax: (+9221) 99248286  
E-mail: [comsec@security-papers.com](mailto:comsec@security-papers.com) & [finance@security-papers.com](mailto:finance@security-papers.com)

### Web Reference

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

### Stock Exchange Listing

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

Pakistan Stock Exchange Share Prices 2017-18			
Period	Price in Rupees		
	High	Low	Average
1st Quarter - September 30, 2017	170.00	116.98	143.50
2nd Quarter - December 31, 2017	137.99	116.05	127.02
3rd Quarter - March 31, 2018	133.00	115.49	124.25
4th Quarter - June 30, 2018	137.22	120.00	128.61



## Shareholders' Information

### Reporting

Period	Financial Results
1st Quarter - September 30, 2017	October 20, 2017
2nd Quarter - December 31, 2017	January 26, 2018
3rd Quarter - March 31, 2018	April 20, 2018
4th Quarter - June 30, 2018	July 27, 2018

### Financial Results

The Board of Directors of the Company in their meeting held on July 27, 2018 has recommended the following:

#### Cash Dividend

Final cash dividend at the rate of Rs 8/- per share i.e. 80% for the year ended June 30, 2018.

#### CNIC / NTN Number on Dividend Warrant (Mandatory)

As has already been notified from time to time, SECP has directed vide its Notification S.R.O. 831(1)/2012 dated July 5, 2012 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).

In order to comply with the SECP's directives and in terms of Section 243(2)(a) of the Companies Act, 2017, the Company shall be constrained to withhold the Dividend Warrant(s), in case of non availability copy of valid CNIC (for individuals) and National Tax Number (for corporate entity).

Accordingly, shareholders who have not yet submitted copy of their valid CNIC or NTN are once again requested to immediately submit the same to the Company or Share Registrar, M/s. FAMCO Associates (Pvt.) Limited.

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

- (i) Pursuant to the provisions of the Finance Act, 2017 effective July 1, 2017, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:
1. Rate of tax deduction for filer of income tax return 15%
  2. Rate of tax deduction for non-filers of income tax return 20%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 20% instead of 15%.

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

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



## Security Papers LIMITED

### Shareholders' Information

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

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

- (iii) As per FBR Circulars C. No. 1 (29) WHT/2006 dated 30.06.2010 and C. No. 1 (43) DG (WHT)/2008-Vol.II-66417-R dated 12th May 2015, the valid exemption certificate is mandatory to claim exemption of withholding tax U/S 150 of the Income Tax Ordinance, 2001 (tax on dividend amount) where the statutory exemption under clause 47B of part-IV of Second Schedule is available. The shareholders who fall in the category mentioned in above clause and want to avail exemption U/S 150 of the Ordinance, must provide valid Tax Exemption Certificate to our Share Registrar before book closure otherwise tax will be deducted on dividend as per applicable rates.
- (iv) For any query/problem/information, the investors may contact the Company Secretary at phone: 021-99248285 and email address [comsec@security-papres.com](mailto:comsec@security-papres.com) and/or FAMCO Associates (Pvt.) Limited at phone 021-34380101-5 and email address: [info.shares@famco.com.pk](mailto:info.shares@famco.com.pk).
- (v) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or FAMCO Associates (Pvt.) Ltd. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

#### Payment of Cash Dividend Electronically (Mandatory)

In accordance with the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed company to pay cash dividend to its shareholder only through electronic mode directly into their bank account designated by the entitled shareholders instead of issuing physical dividend warrants.

SECP has advised in their Circular No. 18 of 2017 dated August 01, 2017 to all listed companies to ensure that with effect from November 01, 2017 (as also provided in the Companies (Distribution of Dividends) Regulations, 2017 (as amended from time to time) cash dividends shall be paid through electronic mode only. Therefore, shareholders are requested to provide the details of their bank mandate specifying: (a) title of account, (b) account number (c) IBAN number (d) bank name and (e) branch name, code and address to the Company or Share Registrar. Those shareholders who hold shares with participants / Central Depository Company of Pakistan (CDC) are advised to provide the same to their concerned participant / CDC.

Please note that as per Section 243(3) of the Companies Act, 2017, listed companies are entitled to withhold payment of dividend, if necessary information is not provided by shareholders.

For the convenience of shareholders e-Dividend Mandate Form is available on Company's website <http://www.security-papers.com>.



## Shareholders' Information

### Unclaimed / Unpaid Shares and Dividends

In accordance with the provisions of Section 244 of the Companies Act, 2017, any shares issued or dividend declared by the Company, which remain unclaimed or unpaid for a period of three years from the date it is due and payable, the Company shall give ninety days notices to the shareholders to file claim, if no claim is made before the Company by the shareholders, the Company shall proceed to deposit the unclaimed or unpaid Shares / Dividends with the Federal Government in compliance with the Section 244 of the Companies Act, 2017.

In this regard, a Notice dated December 28, 2017 was sent by Registered Post acknowledgement due on the last known addresses of the shareholders to submit their claims within 90 days to the Company. In compliance of Section 244(1)(b) of the Companies Act, 2017 a **Final Notice** had also been published on 30th March 2018 in two daily newspapers i.e. (i) Business Recorder and (ii) Daily Jang in English and Urdu respectively.

In case no claim is received within the given period from the aforesaid Notice, the Company shall proceed to deposit the unclaimed / unpaid amount with the Federal Government pursuant to the provisions of sub-section (2) of Section 244 of the Companies Act, 2017.

### Change of Address (If any)

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

### Investor Relations

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

### Investor Grievance

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

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# **Vision Statement**

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“ 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.”

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# **Mission Statement**

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“ 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.”

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## Core Values

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



## Strategic Goals

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





## Code of ethics and business practices

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

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

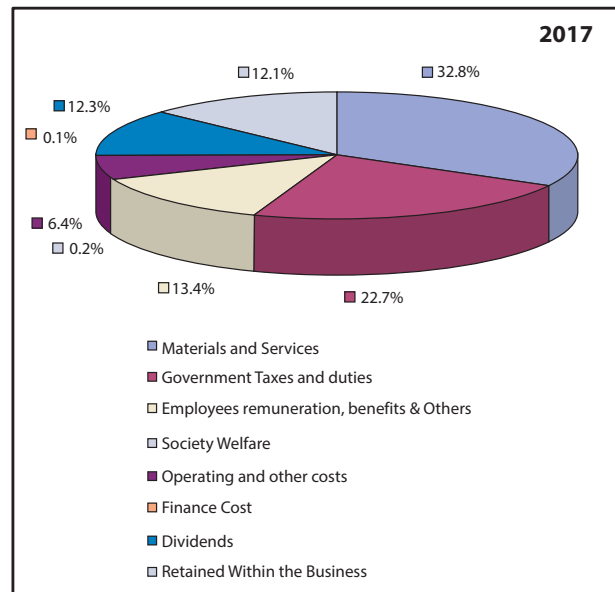
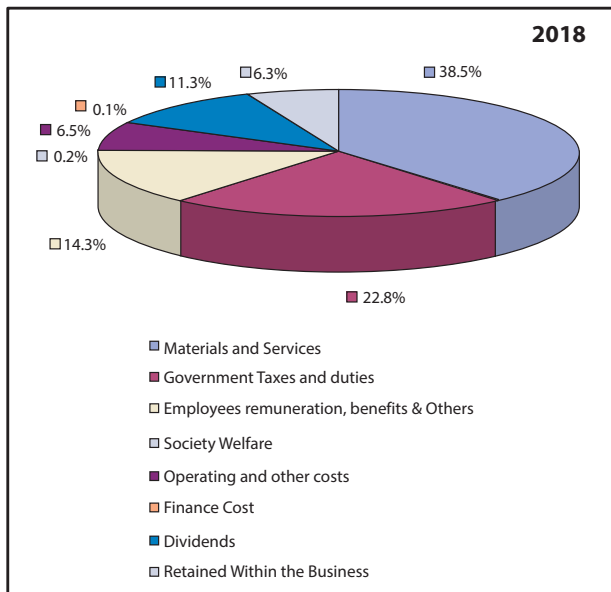


## Statement of Value Addition and its Distribution

	2018	%	2017	%
..... (Rupees in '000) .....				
<b>VALUE ADDITION</b>				
Net Sales including Taxes	<b>4,056,752</b>	<b>96.8%</b>	3,325,341	86.5%
Other Operating Income	<b>133,140</b>	<b>3.2%</b>	520,700	13.5%
	<b>4,189,892</b>	<b>100%</b>	<b>3,846,041</b>	<b>100%</b>

### VALUE DISTRIBUTION

Materials and Services	<b>1,612,976</b>	<b>38.5%</b>	1,260,736	32.8%
Government Taxes and duties	<b>956,843</b>	<b>22.8%</b>	872,686	22.7%
Employees remuneration, benefits & Others	<b>598,353</b>	<b>14.3%</b>	517,068	13.4%
Society Welfare	<b>8,284</b>	<b>0.2%</b>	6,297	0.2%
Operating and other costs	<b>271,572</b>	<b>6.5%</b>	247,472	6.4%
Finance Cost	<b>3,452</b>	<b>0.1%</b>	4,129	0.1%
Dividends	<b>474,047</b>	<b>11.3%</b>	474,047	12.3%
Retained Within the Business	<b>264,365</b>	<b>6.3%</b>	463,606	12.1%
	<b>4,189,892</b>	<b>100%</b>	<b>3,846,041</b>	<b>100%</b>





## Key Operating and Financial Data

PARTICULARS	2018	2017	2016	2015	2014	2013 Restated
<b>Financial Position</b>						
Fixed Assets - Net	<b>1,589,119</b>	1,591,021	1,710,120	1,847,615	1,929,736	1,958,464
Intangible Assets	<b>1,329</b>	-	-	-	-	-
Investments	<b>399,999</b>	779,176	774,229	1,461,099	1,451,031	582,209
Other Assets	<b>16,599</b>	15,997	15,514	15,048	14,561	14,359
	<b>2,007,046</b>	2,386,194	2,499,863	3,323,762	3,395,328	2,555,032
Current Assets	<b>3,884,459</b>	3,293,013	2,772,750	1,826,999	1,505,967	2,253,237
Current Liabilities	<b>987,389</b>	850,482	732,894	788,072	746,833	640,477
Working Capital	<b>2,897,070</b>	2,442,531	2,039,856	1,038,927	759,134	1,612,760
	<b>4,904,116</b>	4,828,725	4,539,719	4,362,689	4,154,462	4,167,792
Less : Long Term Loan	<b>16,441</b>	11,908	15,202	51,927	172,863	331,543
Less: Deferred Liabilities	<b>182,124</b>	216,360	275,028	290,593	311,641	344,548
<b>Net Assets</b>	<b>4,705,551</b>	4,600,457	4,249,489	4,020,169	3,669,958	3,491,701
	<b>592,559</b>	592,559	592,559	592,559	493,799	411,499
Paid-up-Capital	<b>4,112,992</b>	4,007,898	3,656,930	3,427,610	3,176,159	3,080,202
Reserves	<b>4,705,551</b>	4,600,457	4,249,489	4,020,169	3,669,958	3,491,701
<b>Shareholders' Equity</b>	<b>4,705,551</b>	4,600,457	4,249,489	4,020,169	3,669,958	3,491,701
<b>Trading Results</b>						
Sales - Net of taxes	<b>3,466,918</b>	2,842,085	2,583,566	2,140,952	2,236,019	1,856,926
Gross Profit	<b>1,293,223</b>	1,088,406	876,620	675,717	660,811	546,156
Profit after Admn. & General Expenses	<b>1,049,482</b>	890,947	696,334	505,300	495,992	383,841
Other Income	<b>133,140</b>	520,700	300,600	282,092	213,579	200,437
Finance & Other Cost	<b>102,737</b>	107,521	83,516	84,091	98,901	116,199
Profit before Tax	<b>1,079,885</b>	1,304,126	913,418	703,301	610,671	468,080
Taxation	<b>341,473</b>	366,473	282,547	197,388	198,814	147,848
Profit after Tax	<b>738,412</b>	937,653	630,871	505,913	411,857	320,232
<b>Investors Information</b>						
Dividend *						
Cash - Value	<b>474,047</b>	474,047	444,419	355,535	246,900	164,600
Cash - %	<b>80%</b>	80%	75.00%	60.00%	50.00%	40.00%
Bonus - Value	-	-	-	-	98,760	82,300
Bonus - %	-	-	-	-	20.00%	20.00%
Profit retained in Business - Value	<b>264,365</b>	463,606	186,452	150,378	66,197	73,332
Retention - %	<b>35.80%</b>	49.44%	29.55%	29.72%	16.07%	22.90%
<b>Profitability Ratios</b>						
Gross Profit to Sales %	<b>37.30%</b>	38.30%	33.93%	31.56%	29.55%	29.41%
EBITDA (Rs '000)	<b>1,292,657</b>	1,514,036	1,137,121	933,969	850,145	723,535
EBITDA Margin to Sales %	<b>37.29%</b>	53.27%	44.01%	43.62%	38.02%	38.96%
Profit before Tax to Sales %	<b>31.15%</b>	45.89%	35.35%	32.85%	27.31%	25.21%
Profit after Tax to Sales %	<b>21.30%</b>	32.99%	24.42%	23.63%	18.42%	17.25%
Return on Equity - before tax %	<b>22.95%</b>	28.35%	21.49%	17.49%	16.64%	13.41%
Return on Equity - after tax %	<b>15.69%</b>	20.38%	14.85%	12.58%	11.22%	9.17%
Return on Capital Employed %	<b>15.64%</b>	20.33%	14.79%	12.42%	10.72%	8.38%
<b>Activity / Turnover Ratios</b>						
Return on Assets - before tax %	<b>18.33%</b>	22.96%	17.32%	13.65%	12.46%	9.73%
Return on Assets - after tax %	<b>12.53%</b>	16.51%	11.97%	9.82%	8.40%	6.66%
Total Assets Turnover %	<b>58.85%</b>	50.04%	49.00%	41.57%	45.62%	38.62%
Stock Turnover - (In Times)	<b>4.63</b>	3.39	4.15	4.36	4.23	3.23
Stock Turnover - No. of Days	<b>79</b>	108	88	84	86	113
Debtor turnover Ratio - No. of Days	<b>58</b>	52	36	40	41	52
Creditor turnover Ratio - No. of Days	<b>35</b>	31	56	50	47	40
Operating Cycle	<b>102</b>	129	68	74	80	125



## Key Operating and Financial Data

PARTICULARS	2018	2017	2016	2015	2014	2013 Restated
<b>Liquidity Ratios</b>						
Current Ratio	<b>3.93:1</b>	3.87:1	3.78:1	2.32:1	2.02:1	3.52:1
Quick Ratio	<b>3.36:1</b>	3.06:1	2.97:1	1.75:1	1.41:1	2.71:1
Cash to Current Liabilities	<b>0.41:1</b>	0.12:1	0.20:1	0.15:1	0.11:1	0.06:1
Cash flow from operations to Sales	<b>0.29:1</b>	0.10:1	0.15:1	0.20:1	0.23:1	0.26:1
<b>Capital Structure Ratios</b>						
Long Term Debt to Equity	<b>0.00:1</b>	0.00:1	0.00:1	0.01:1	0.05:1	0.09:1
Long Term Debt to Asset	<b>0.00:1</b>	0.00:1	0.00:1	0.01:1	0.04:1	0.07:1
Debt Equity Ratio	<b>0.00:1</b>	0.00:1	0.00:1	0.01:1	0.05:1	0.09:1
Interest cover ratio	<b>300:1</b>	367:1	101:1	35:1	20:1	12:1
Weighted Average Cost of Debt	<b>5.37%</b>	5.13%	6.57%	9.67%	9.69%	10.43%
<b>Investment / Market Ratios</b>						
No. of Shares in issue - No.	<b>59,256</b>	59,256	59,256	59,256	49,380	41,150
Bonus Shares Issued - No.	-	-	-	-	9,876	8,230
Cash Dividend per share (Rs.)	<b>8.00</b>	8.00	7.50	6.00	5.00	4.00
Earning per share - before tax (Rs.)	<b>18.22</b>	22.01	15.41	11.87	10.31	7.90
Earning per share - after tax (Rs.)	<b>12.46</b>	15.82	10.65	8.54	6.95	5.40
<b>Break-up value per share (Rs.) :</b>						
- Without Surplus on Revaluation on Fixed Assets	<b>79.41</b>	77.64	71.71	67.84	61.93	58.93
- With Surplus on Revaluation on Fixed Assets						
Price Earning Ratio - Year end Price (Rs.)	<b>9.71</b>	9.22	9.92	10.37	8.39	8.61
Earning Yield - Year end Price %	<b>10.30%</b>	10.84%	10.08%	9.64%	9.93%	8.07%
Dividend Payout %	<b>64.20%</b>	50.56%	70.45%	70.28%	83.93%	77.10%
Dividend Yield - Year end Price %	<b>6.61%</b>	5.48%	7.10%	6.78%	10.00%	8.96%
Dividend Cover - Times	<b>1.56</b>	1.98	1.42	1.42	1.19	1.30
<b>SHARE PERFORMANCE</b>						
Share Price - Highest (Rs.)	<b>170.00</b>	176.75	106.50	90.00	82.00	73.00
Share Price - Lowest (Rs.)	<b>115.49</b>	87.10	74.50	61.00	48.92	43.10
Share Price - Average (Rs.)	<b>142.75</b>	131.93	90.50	75.50	65.46	58.05
Share Price - At year end (Rs.)	<b>121.02</b>	145.95	105.59	88.56	70.00	66.99
Market Capitalization - Year end Price - (Rs '000)	<b>7,171,144</b>	8,648,393	6,256,826	5,247,699	3,456,592	2,756,632
Turnover of shares	<b>3,672,400</b>	10,667,500	2,042,000	4,594,500	4,603,000	3,293,458
<b>PRODUCTION (Ton)</b>						
Actual Production						
Banknote Paper	<b>2,692</b>	2,334	2,184	1,760	1,714	1,513
Non-Banknote Paper	<b>581</b>	488	473	450	691	668
<b>Total</b>	<b>3,273</b>	2,822	2,657	2,210	2,405	2,181
<b>SALES (Ton)</b>						
Banknote Paper	<b>2,712</b>	2,385	2,176	1,750	1,686	1,516
Non-Banknote Paper	<b>591</b>	473	482	486	713	610
<b>Total</b>	<b>3,303</b>	2,858	2,658	2,236	2,399	2,126
<b>CASH FLOWS</b>						
Cash Flows from Operating activities	<b>1,012,830</b>	272,273	394,212	436,027	519,619	476,555
Net Cash used in investing activities	<b>(317,087)</b>	134,396	87,497	(78,719)	(93,086)	(81,122)
Net cash used in financing activities	<b>(395,023)</b>	(449,104)	(448,887)	(325,978)	(380,565)	(374,685)
Cash and cash equivalents at beginning of the year	<b>104,930</b>	147,365	114,543	83,213	37,245	16,497
Cash and cash equivalents at end of the year	<b>405,650</b>	104,930	147,365	114,543	83,213	37,245

\* Proposed cash dividend of Rs 474.047 million (i.e. Rs 8.00 /- per share) is reflected in the above data as referred to in note 40.1 of the financial statements.



## Horizontal Analysis

### FINANCIAL POSITION

#### ASSETS

##### Non-current assets

	2018	2017	2016	2015	2014	2013
Property, plant and equipment	(0.12%)	(6.96%)	(7.44%)	(4.26%)	(1.47%)	(7.27%)
Intangible Assets	100.00%	-	-	-	-	-
Long Term Investments	(48.66%)	0.64%	(47.01%)	0.69%	149.23%	0.78%
Long-term deposits	3.76%	3.11%	3.10%	3.34%	1.41%	(40.64%)

##### Current assets

Stores, spares and loose tools	24.99%	28.33%	(0.76%)	(5.93%)	3.22%	(1.72%)
Stock-in-trade	(28.69%)	12.64%	33.02%	8.75%	(17.53%)	1.51%
Trade debts - considered good	(0.83%)	103.25%	23.00%	(11.12%)	4.21%	(16.77%)
Advances, deposits, prepayments and other receivables	(42.26%)	82.30%	(54.41%)	440.45%	22.40%	(20.21%)
Accrued mark-up	(5.05%)	(36.91%)	2.98%	(2.88%)	141.58%	1.45%
Investments	20.36%	13.90%	92.77%	39.98%	(56.38%)	20.35%
Cash and bank balances	1255.33%	(79.69%)	28.65%	37.65%	123.42%	125.77%

#### Total assets

	3.74%	7.71%	2.37%	5.09%	2.21%	0.84%
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#### LIABILITIES

##### Current liabilities

Trade and other payables	14.81%	25.04%	2.68%	11.51%	17.17%	15.35%
Accrued mark-up on short term finance - secured	(85.37%)	(74.77%)	(77.95%)	(60.01%)	(28.86%)	(37.22%)
Short Term Running Finance	100%	-	-	-	-	-
Current portion of Long term liabilities	0.58%	(84.91%)	(64.16%)	(24.72%)	0.37%	1.83%
Taxation - net	(13.09%)	12.90%	9.38%	30.46%	25.74%	1859.29%

##### Non-current liabilities

Liabilities against asset subject to finance lease	38.07%	(14.88%)	31.02%	0.49%	31.31%	(3.04%)
Long Term Finance	0.00%	(100.00%)	(97.06%)	(74.57%)	(49.84%)	(31.73%)
Deferred taxation - net	(15.82%)	(21.33%)	(5.36%)	(6.75%)	(6.82%)	(4.40%)

#### Total liabilities

	9.94%	5.44%	(9.51%)	(8.18%)	(6.97%)	(2.91%)
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#### NET ASSETS

	2.28%	8.26%	5.70%	9.54%	5.71%	2.34%
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Issued, subscribed and paid-up capital	0.00%	0.00%	0.00%	20.00%	20.00%	0.00%
General reserve	14.44%	6.17%	5.45%	4.58%	0.28%	5.06%
Unappropriated profit Including re-measurement of investments	(20.17%)	49.48%	14.42%	28.97%	33.12%	(13.78%)
Surplus on re-measurement of investments classified as 'available for sale'	114.73%	(9108%)	(97.01%)	140.89%	270.01%	-

#### SHAREHOLDER'S EQUITY

	2.28%	8.26%	5.70%	9.54%	5.71%	2.34%
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#### Total liabilities & Shareholder Equity

	3.74%	7.71%	2.37%	5.09%	2.21%	0.84%
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### PROFIT OR LOSS ACCOUNT

Sales - net	21.99%	10.01%	20.67%	(4.25%)	20.42%	18.21%
Cost of sales	23.95%	2.74%	16.50%	(6.98%)	20.17%	24.00%
Gross profit	18.82%	24.16%	29.73%	2.26%	20.99%	6.29%
Administration and general expenses	23.44%	9.53%	5.79%	3.40%	1.54%	13.36%
Other operating income	(74.43%)	73.22%	6.56%	32.08%	6.56%	(20.64%)
Other operating charges	(4.81%)	43.06%	26.07%	1.63%	2.25%	(20.99%)
Operating profit	(17.13%)	41.48%	26.65%	11.77%	23.45%	(4.39%)
Finance costs	4.50%	(63.28%)	(57.99%)	(37.02%)	(30.37%)	41.24%
Profit before taxation	(17.19%)	42.77%	29.88%	15.17%	30.46%	(8.26%)
Taxation - net	(6.82%)	29.70%	43.14%	(0.72%)	34.47%	11.90%
Profit after taxation	(21.25%)	48.63%	24.70%	22.84%	28.61%	(15.31%)





## Vertical Analysis

	2018	2017	2016	2015	2014	2013
<b>FINANCIAL POSITION</b>						
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	26.97%	28.01%	32.43%	35.87%	39.37%	40.84%
Intangible Assets	0.02%	-	-	-	-	-
Long-term deposits	0.28%	0.28%	0.29%	0.29%	0.30%	0.30%
Long Term Investments	6.79%	13.72%	14.68%	28.37%	29.61%	12.14%
<b>Current assets</b>						
Stores, spares and loose tools	2.94%	2.44%	2.05%	2.11%	2.36%	2.34%
Stock-in-trade	6.64%	9.66%	9.24%	7.11%	6.87%	8.51%
Trade debts - considered good	10.64%	11.13%	5.90%	4.91%	5.80%	5.69%
Advances, deposits, prepayments and other receivables	0.62%	1.12%	0.66%	1.49%	0.29%	0.24%
Accrued mark-up	0.77%	0.84%	1.43%	1.42%	1.54%	0.65%
Loans, receivables & Investments	37.44%	32.27%	30.52%	16.20%	12.17%	28.51%
Cash and bank balances	6.89%	0.53%	2.79%	2.22%	1.70%	0.78%
<b>Total assets</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Current portion of long term liabilities	0.12%	0.12%	0.85%	2.42%	3.38%	3.44%
Trade and other payables	13.46%	2.69%	10.48%	10.45%	9.85%	8.59%
Accrued mark-up on short term finance - secured	0.00%	18.49%	0.01%	0.03%	0.08%	0.11%
Short Term Running Finance	0.93%	0.00%	0.00%	0.00%	0.00%	0.00%
Taxation - net	2.25%	0.00%	2.57%	2.40%	1.93%	1.57%
<b>Non-current liabilities</b>						
Current portion of lease liabilities	0.28%	0.21%	0.27%	0.21%	0.22%	0.17%
Long Term Finance	0.00%	0.00%	0.02%	0.80%	3.31%	6.75%
Deferred taxation - net	3.09%	3.81%	5.22%	5.64%	6.36%	6.97%
<b>Total liabilities</b>	<b>20.13%</b>	<b>18.99%</b>	<b>19.40%</b>	<b>21.95%</b>	<b>25.12%</b>	<b>27.60%</b>
<b>NET ASSETS</b>	<b>79.87%</b>	<b>81.01%</b>	<b>80.60%</b>	<b>78.05%</b>	<b>74.88%</b>	<b>72.40%</b>
Issued, subscribed and paid-up capital	10.06%	10.43%	11.24%	11.50%	10.07%	8.58%
General reserve	62.35%	56.52%	57.34%	55.67%	55.94%	57.01%
Unappropriated profit including re-measurement of Investments	12.80%	16.63%	11.98%	9.82%	8.40%	6.68%
Surplus on re-measurement of investments classified as 'available for sale'	(5.34%)	(3.18%)	0.04%	1.35%	0.61%	0.18%
<b>SHAREHOLDER'S EQUITY</b>	<b>79.87%</b>	<b>81.01%</b>	<b>80.60%</b>	<b>78.05%</b>	<b>74.88%</b>	<b>72.40%</b>
<b>Total liabilities &amp; Shareholder Equity</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>PROFIT OR LOSS ACCOUNT</b>						
Sales - net	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of sales	62.70%	61.70%	66.07%	68.44%	70.45%	70.59%
Gross profit	37.30%	38.30%	33.93%	31.56%	29.55%	29.41%
Administration and general expenses	7.03%	6.95%	6.98%	7.96%	7.37%	8.74%
Other operating income	3.84%	18.32%	11.64%	13.18%	9.55%	10.79%
Other operating charges	2.84%	3.64%	2.80%	2.68%	2.52%	2.97%
Operating profit	31.27%	46.03%	35.79%	34.10%	29.21%	28.49%
Finance costs	0.12%	0.15%	0.44%	1.25%	1.90%	3.29%
Profit before taxation	31.15%	45.89%	35.35%	32.85%	27.31%	25.21%
Taxation - net	9.85%	12.89%	10.94%	9.22%	8.89%	7.96%
Profit after taxation	21.30%	32.99%	24.42%	23.63%	18.42%	17.25%



## Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

Name of Company: **SECURITY PAPERS LIMITED**  
Year Ended: **30 June 2018**

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 10 as per the following:

a.	Male:	-	10
b.	Female:	-	Exempted for current term
2. The composition of board is as follows:

a)	Independent Directors	-	03
b)	Other Non-executive Directors	-	06
c)	Executive Directors	-	01
3. The Directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. 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.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/ Shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. 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. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
8. The Board of directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.
9. The Board has arranged Directors' Training program for the following:  
Mr. Ali Hussain, Chief Executive Officer
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the Board.
12. The Board has formed following mandatory Committees comprising of members given below:



## Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

### a) Audit Committee

Mr. Muhammad Ayub	-	Chairman
Sheikh Mohammad Aijaz Akhtar	-	Member
Dr. Abolghassem Jamshidi	-	Member
Mr. Jamal Nasim	-	Member
Mr. Shoaib Mir	-	Member
Mr. Naveed Ehtesham	-	Member

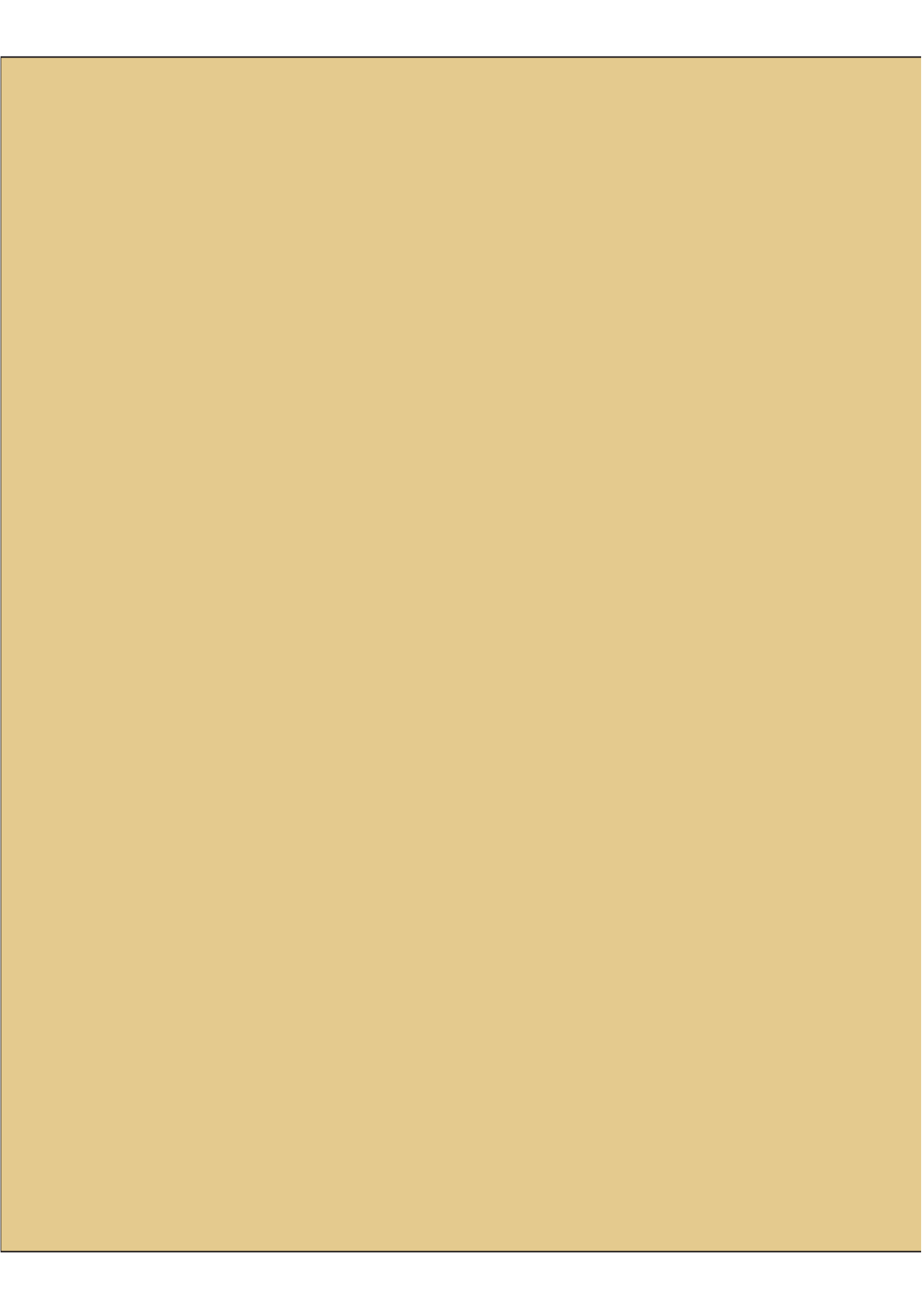
### b) Human Resource and Remuneration Committee

Mr. Jamal Nasim	-	Chairman
Mr. Muhammad Haroon Rasheed	-	Member
Mr. Ali Hussain	-	Member
Mr. Shoaib Mir	-	Member
Mr. Rauf Ahmad	-	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the Committee for compliance.
14. The frequency of meetings (quarterly/half yearly/yearly) of the Committees were as per following:
- |                                  |   |
|----------------------------------|---|
| a) Audit Committee               | 07 Meetings were held during FY 2017-18 |
| b) HR and Remuneration Committee | 09 Meetings were held during FY 2017-18 |
15. The Board has set up an effective internal audit function, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

**MUHAMMAD HAROON RASHEED**  
Chairman

Karachi  
Dated: 27th July 2018



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# Financial Statement

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# Security Papers LIMITED

## Review Report to the Members on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017



EY Ford Rhodes  
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### To the members of Security Papers Limited

### Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Security Papers Limited for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a part of our audit of the 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 Regulations require 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2018.

*EY Ford Rhodes*

**Chartered Accountants**

**Place:** Karachi

**Date:** 31 July 2018

A member firm of Ernst & Young Global Limited





## Independent Auditors' Report to the Members on the Audit of the Financial Statements



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### INDEPENDENT AUDITORS' REPORT

#### To the members of Security Papers Limited

#### Report on the Audit of the Financial Statements

##### Opinion

We have audited the annexed financial statements of **Security Papers Limited** (the Company), which comprise the statement of financial position as at **30 June 2018**, and the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

##### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*CFM*



## Independent Auditors' Report to the Members on the Audit of the Financial Statements



Following are the key audit matters:

Key audit matters	How our audit addressed the key audit matter
<p><b>1. Sale of goods to a related party</b></p> <p>Pakistan Security Printing Corporation (Private) Limited (PSPC) is a single major customer of the Company and also a significant shareholder (with 40.03% equity interest) of the Company. During the year ended 30 June 2018, the revenue earned by the Company from its business with PSPC amounted to Rs. 3,075 million which constitutes 88.7% of the total revenue of the Company. The Company operates under a 'cost plus' pricing arrangement with PSPC and accordingly agrees on provisional pricing at the commencement of the financial year with final adjustments at the year end.</p> <p>While the above related party sale transactions are undertaken in the normal course of business, the pricing mechanism adopted which involves the determination of profit margins to be included in the sales prices on a year to year basis, may potentially impact the operating results of the Company in a significant manner.</p> <p>Accordingly due to the significant impact and volume of sale transactions to PSPC (a related party), we have considered it to be a key audit matter.</p> <p>The sales transactions with PSPC (a related party) and the trade debtors balances with such party are disclosed in notes 23 and 11 to the accompanying financial statements respectively.</p>	<p>Our key audit procedures with respect to related party sales transactions with PSPC included review of the sales agreement with PSPC which sets out the terms and conditions of such transactions and also pricing mechanism to be followed for the same, obtaining confirmation from PSPC for transactions and balance, the approval of the said agreement and the pricing policies by the Board of Directors of the respective companies, and the compliance with the relevant requirements of the Companies Act and Code of Corporate Governance Regulations with respect to such related party transactions.</p> <p>We also evaluated the appropriateness of the accounting and disclosures of such related party transactions in accordance with the requirements of the applicable financial reporting standards. In doing so, we considered the adequacy and the relevance of the information disclosed in the financial statements to comply with the requirements of 'IAS 24 - Related Party Disclosures'.</p>
<p><b>2. Inventory</b></p> <p>The Company is engaged in the manufacturing of specialized paper for bank note and non-bank note security documents. This results in specialized inventory items being held by the Company. Inventories mainly include comber noli; printed security threads; and chemicals which are raw materials. Further, finished goods include securities papers manufactured made to specifications. The Company held inventory balances of Rs. 564.441 million which constitutes 9.58% of total assets at the year-end as disclosed in notes 9 and 10 of the accompanying financial statements.</p>	<p>We performed a range of audit procedures with respect to inventory items including amongst others, physical observation of inventory counts, test of valuation methods and their appropriateness in accordance with the applicable accounting standards, and an evaluation of the usability of the inventory items based on management reports for slow moving, expired and obsolete items and the impact of the same on the net realizable value of the inventories.</p> <p>We also assessed the adequacy of the disclosures made in respect of the accounting</p>





**Independent Auditors' Report to the Members  
on the Audit of the Financial Statements**



Key audit matters	How our audit addressed the key audit matter
<p>We focused our audit on this area as it is a material balance for the Company and it also requires management judgement in determining an appropriate costing basis and assessing its valuation. Valuation of raw materials are assessed on item by item basis taking into account their usability for future contracts. Printed security threads can only be utilized with respect to specific securities and they become obsolete once the State Bank of Pakistan discontinues their circulation. The Company also reviews the inventory age listing to identify slow-moving, expired and obsolete raw materials, stores, spare parts and loose tools.</p>	<p>policies and the details of inventory balances held by the Company at the year end.</p>
<p><b>3. Preparation of financial statements under Companies Act, 2017</b></p>	
<p>As referred to in note 2 to the accompanying financial statements, the Companies Act 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 30 June 2018.</p> <p>The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.</p> <p>In the case of the Company, specific additional disclosures and changes to the existing disclosures have been included in the financial statements as referred to note 3.1 to the accompanying financial statements.</p> <p>The aforementioned changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act.</p>	<p>We assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the Act. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. We also evaluated the sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the financial statements.</p>

**Information Other than the Financial Statements and Auditors' Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

*Signature*



Independent Auditors' Report to the Members  
on the Audit of the Financial Statements



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if

*CPA* Page 4



**Independent Auditors' Report to the Members  
on the Audit of the Financial Statements**



such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) 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.

The engagement partner on the audit resulting in this independent auditors' report is Shariq Ali Zaidi.

*EY Feroz Roshan*  
**Chartered Accountants**

**Place:** Karachi

**Date:** 31 July 2018



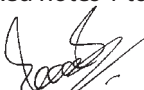



## Statement of Financial Position

As at June 30, 2018

	Note	2018 ----- (Rupees in '000) -----	2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	1,589,119	1,591,021
Intangible assets	6	1,329	-
Long-term investments	7	399,999	779,176
Long-term deposits	8	16,599	15,997
		<b>2,007,046</b>	2,386,194
<b>Current assets</b>			
Stores, spare parts and loose tools	9	173,275	138,633
Stock-in-trade	10	391,166	548,554
Trade debts - considered good	11	626,610	631,879
Loans, advances, deposits, prepayments and other receivables	12	36,814	63,757
Interest accrued	13	45,241	47,648
Investments	14	2,205,703	1,832,612
Cash and bank balances	15	405,650	29,930
		<b>3,884,459</b>	3,293,013
		<b>5,891,505</b>	5,679,207
<b>Total assets</b>			
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	16	583,932	512,523
Accrued mark-up		12	82
Short-term running finance	17	54,618	-
Current maturity of long term loan	18	-	1,212
Unclaimed dividend		8,797	7,912
Unpaid dividend		200,460	170,441
Current portion of liabilities against assets subject to finance lease	19	6,789	5,538
Taxation - net		132,781	152,774
		<b>987,389</b>	850,482
<b>Non-current liabilities</b>			
Liabilities against assets subject to finance lease	19	16,441	11,908
Deferred taxation - net	20	182,124	216,360
		<b>198,565</b>	228,268
		<b>1,185,954</b>	1,078,750
<b>Total liabilities</b>			
<b>NET ASSETS</b>			
		<b>4,705,551</b>	4,600,457
<b>FINANCED BY:</b>			
Authorised share capital 70,000,000 (2017: 70,000,000) ordinary shares of Rs 10 each		700,000	700,000
Issued, subscribed and paid-up capital	21	592,559	592,559
<b>Revenue reserves</b>			
General reserves		3,673,519	3,209,919
Unappropriated profits		753,998	944,451
		<b>4,427,517</b>	4,154,370
Remeasurement of investments classified as available for sale		(314,525)	(146,472)
<b>SHAREHOLDERS' EQUITY</b>			
		<b>4,705,551</b>	4,600,457
Contingencies and commitments	22		

The annexed notes 1 to 40 form an integral part of these financial statements.

  
**Ali Hussain**  
Chief Executive Officer

  
**Rizwan Ul Haq Khan**  
Chief Financial Officer

  
**Muhammad Ayub**  
Director





## Statement of Profit or Loss Account

For the year ended June 30, 2018

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees) -----
Sales - net	23	<b>3,466,918</b>	2,842,085
Cost of sales	24	<b>(2,173,695)</b>	(1,753,679)
<b>Gross profit</b>		<b>1,293,223</b>	1,088,406
Administrative expenses	25	<b>(243,741)</b>	(197,459)
Other income	27	<b>133,140</b>	520,700
Other charges	28	<b>(98,422)</b>	(103,392)
Finance costs	29	<b>(4,315)</b>	(4,129)
<b>Profit before taxation</b>		<b>1,079,885</b>	1,304,126
Taxation - net	30	<b>(341,473)</b>	(366,473)
<b>Profit after taxation</b>		<b>738,412</b>	937,653
<b>----- (Rupees) -----</b>			
<b>Earnings per share (Basic and diluted)</b>	31	<b>12.46</b>	15.82

The annexed notes 1 to 40 form an integral part of these financial statements.

  
**Ali Hussain**  
 Chief Executive Officer

  
**Rizwan Ul Haq Khan**  
 Chief Financial Officer

  
**Muhammad Ayub**  
 Director




## Statement of Other Comprehensive Income

For the year ended June 30, 2018

	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
Profit after taxation	738,412	937,653
<b>Other comprehensive income</b>		
<b><i>Other comprehensive income not to be reclassified to statement of profit or loss in subsequent periods</i></b>		
Remeasurement gain on defined benefit plan (note 26.1.3)	8,783	5,833
<b><i>Other comprehensive income to be reclassified to statement of profit or loss in subsequent periods (net of tax)</i></b>		
Unrealised (depreciation) / appreciation during the year on remeasurement of investments classified as 'available for sale' - net	(194,923)	117,371
Transferred to profit or loss account on redemption / disposal of investment classified as 'available for sale'	1,506	(291,604)
Less: Impact of tax	25,364	26,135
Net comprehensive loss to be reclassified to profit & loss in subsequent periods	(168,053)	(148,098)
Total other comprehensive loss for the year, net of tax	(159,270)	(142,265)
<b>Total comprehensive income for the year</b>	<b>579,142</b>	<b>795,388</b>

The annexed notes 1 to 40 form an integral part of these financial statements.

  
**Ali Hussain**  
 Chief Executive Officer

  
**Rizwan Ul Haq Khan**  
 Chief Financial Officer

  
**Muhammad Ayub**  
 Director




## Statement of Changes in Equity

For the year ended June 30, 2018

	Issued, subscribed and paid-up share capital	Revenue Reserves		Re-measurement of investments classified as available for sale	Total Reserves	Total Equity
		General reserves	Unappropriated profit			
----- (Rupees in '000) -----						
Balance as at June 30, 2016	592,559	3,023,489	631,815	1,626	3,656,930	4,249,489
Total comprehensive income for the year ended June 30, 2017						
Profit for the year	-	-	937,653	-	937,653	937,653
Other comprehensive income, net of taxes	-	-	5,833	(148,098)	(142,265)	(142,265)
Transactions with owners						
Cash dividend @ Rs 7.50 per share for the year ended 30 June 2016	-	-	(444,420)	-	(444,420)	(444,420)
Transfer to general reserves	-	186,430	(186,430)	-	-	-
<b>Balance as at June 30, 2017</b>	<b>592,559</b>	<b>3,209,919</b>	<b>944,451</b>	<b>(146,472)</b>	<b>4,007,898</b>	<b>4,600,457</b>
Total comprehensive income for the year ended June 30, 2018						
Profit for the year	-	-	738,412	-	738,412	738,412
Other comprehensive income, net of taxes	-	-	8,783	(168,053)	(159,270)	(159,270)
Transactions with owners						
Cash dividend @ Rs 8.00 per ordinary share for the year ended June 30, 2017	-	-	(474,048)	-	(474,048)	(474,048)
Transfer to general reserves	-	463,600	(463,600)	-	-	-
<b>Balance as at June 30, 2018</b>	<b>592,559</b>	<b>3,673,519</b>	<b>753,998</b>	<b>(314,525)</b>	<b>4,112,992</b>	<b>4,705,551</b>

The annexed notes 1 to 40 form an integral part of these financial statements.

  
**Ali Hussain**  
 Chief Executive Officer

  
**Rizwan Ul Haq Khan**  
 Chief Financial Officer

  
**Muhammad Ayub**  
 Director




## Statement of Cash Flows

For the year ended June 30, 2018

	Note	2018 ----- (Rupees in '000) -----	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	35	<b>1,389,382</b>	658,681
Long-term deposits		<b>(602)</b>	(483)
Taxes paid		<b>(371,565)</b>	(381,554)
Finance costs paid		<b>(4,385)</b>	(4,371)
Net cash generated from operating activities		<b>1,012,830</b>	272,273
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		<b>(194,495)</b>	(83,049)
Purchase of intangible assets		<b>(1,385)</b>	-
Proceeds from sale of operating fixed assets		<b>1,732</b>	127
Redemption of Sukuk term finance certificates		<b>3,429</b>	1,607
Investment made during the year		<b>(498,588)</b>	(320,030)
Investment matured		<b>250,000</b>	-
Realized capital (loss) / gain on mutual fund		<b>(1,506)</b>	291,604
Dividend received on mutual fund		<b>3,189</b>	100,927
Mark-up received		<b>120,537</b>	143,210
Net cash (used in) / generated from investing activities		<b>(317,087)</b>	134,396
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term loan		<b>-</b>	(40,037)
Short term running finance		<b>54,618</b>	-
Payments against lease obligations		<b>(6,497)</b>	(4,858)
Dividend paid		<b>(443,144)</b>	(404,209)
Net cash used in financing activities		<b>(395,023)</b>	(449,104)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>300,720</b>	(42,435)
Cash and cash equivalents at beginning of the year		<b>104,930</b>	147,365
Cash and cash equivalents at end of the year	35.2	<b>405,650</b>	104,930

The annexed notes 1 to 40 form an integral part of these financial statements.

  
**Ali Hussain**  
Chief Executive Officer

  
**Rizwan Ul Haq Khan**  
Chief Financial Officer

  
**Muhammad Ayub**  
Director



# Notes to the Financial Statements

For the year ended June 30, 2018

## 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 and factory is Jinnah Avenue, Malir Halt, Karachi, Pakistan. The Company is listed on the Pakistan Stock Exchange Limited.

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

Geographical location and address of business unit / plant:

<b>Karachi</b>	<b>Purpose</b>
Jinnah Avenue, Malir Halt Karachi.	Head office and production plant

## 2. SIGNIFICANT TRANSACTIONS AND EVENTS THAT AFFECTED THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

- The Company has made additions to plant amounting to Rs 156.66 million which has enhanced its production capacity from 3,000 tons to 3,500 tons.
- Due to the applicability of Companies Act, 2017 certain disclosures of the financial statements have been presented in accordance with the fourth schedule notified by the Securities and Exchange Commission of Pakistan vide S.R.O 1169 date 7 November 2017.
- During the current year key customer Pakistan Security Printing Corporation (Private) Limited (PSPC) was split into two businesses and a new entity National Security Printing Company (Private) Limited (NSPC) was formed. While PSPC would continue to produce bank note paper and prize bond paper, NSPC has taken over other security paper printing business from PSPC. Accordingly, the concentration of business from PSPC has reduced from 99.69% to 88.70%.

## 3. BASIS OF PREPARATION

### 3.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for financial reporting. The accounting and reporting standards as applicable in Pakistan comprise of such International Financial Reporting Standards (IFRS Standards), issued by International Accounting Standard Board (IASB) as notified under Companies Act, 2017 (the "Act"); and provisions of and directives issued under the Act. Where the provisions of and directives issued under the Companies Act, 2017 differ from the IFRS standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The Act has also brought certain changes with regard to the preparation and presentation of these unconsolidated financial statements. These changes, amongst others, included change in respect of nomenclature of these financial statements. Further, the disclosure requirements contained in the fourth schedule of the Act have been revised, resulting in elimination of duplicative disclosure with the IFRS disclosure requirements and incorporation of additional amended disclosures including, but not limited to, particulars of immovable assets of the Company (refer note 5.1.3), management assessment of sufficiency of tax provision in the the financial statements (refer note 30.1), change in threshold for identification of executives (refer note 32), additional disclosure requirements for related parties (refer note 33) etc.



## Notes to the Financial Statements

### 3.2.1 Functional and presentation currency

The financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency and all amounts presented have been rounded off to the nearest thousand unless otherwise stated.

### 3.2.2 Basis of measurement

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

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

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

#### 3.3.1 New Standards, Interpretations and Amendments

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

- IAS 7 – Statement of Cash Flows - Disclosure Initiative - (Amendment)
- IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

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

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

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

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 2 – Share Based Payments - Classification and Measurement of Share Based Payment Transactions (Amendments)	01 January 2018
IFRS 9 – Financial Instruments	01 July 2018
IFRS 9 – Prepayment Features with Negative Compensation – (Amendments)	01 January 2018
IFRS 10 – Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 15 – Revenue from Contracts with Customers	01 July 2018





## Notes to the Financial Statements

<b>Standard or Interpretation</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 16 – Leases	01 January 2019
IFRS 4 – Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018
IAS 40 – Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IAS 19 – Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 28 – Long-term Interests in Associates and Joint Ventures – (Amendments)	01 January 2019
IFRIC 22 – Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 – Uncertainty over Income Tax Treatments	01 January 2019

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application except for IFRS 15 - Revenue from contracts with customers. The Company is currently evaluating the impact of the said standard.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. 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

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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

<b>Standard</b>	<b>IASB Effective date (annual periods beginning on or after)</b>
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 17 – Insurance Contracts	01 January 2021



## Notes to the Financial Statements

### 3.4 Significant accounting judgements, estimates and assumptions

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

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

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

- residual values and useful lives of property, plant and equipment (note 5.1)
- provision for slow moving and obsolete stores and spares and stock-in-trade (notes 4.6 and 4.7)
- estimates of liability in respect of employee retirement gratuity and employees' compensated absences (notes 4.14, 4.15 and 26)
- taxation (note 4.18)
- fair value of investments classified as 'available for sale' (notes 4.4, 37)

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Property, plant and equipment

#### Owned

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

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

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

Depreciation on all property, plant and equipment is charged using the straight line method in accordance with the rates specified in note 5.1 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 reporting 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.



## Notes to the Financial Statements

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

### **Leased**

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

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

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

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

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

## **4.2 Intangible assets**

These are stated at cost less accumulated amortisation and impairment losses, if any.

Amortisation is charged to the statement of comprehensive income applying the straight line method at the rate mentioned in note 6 to the financial statements.

## **4.3 Borrowing costs**

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

## **4.4 Investments**

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

### **Financial assets**

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

#### **(a) Held-to-maturity**

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



## Notes to the Financial Statements

### (b) Available for sale

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

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

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

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade date - the date on which the Company commits to purchase or sell the asset.

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

### 4.5 Impairment

#### 4.5.1 Financial assets

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

#### 4.5.2 Non-financial assets

"The carrying value of non-financial assets other than inventories and deferred tax assets are assessed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs to sell of the asset. In determining fair value less costs to sell, the recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other fair value indicators

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



## Notes to the Financial Statements

### 4.6 Stores, spare parts and loose tools

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

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

### 4.7 Stock-in-trade

Raw materials are valued at the lower of weighted average cost and net realisable value except for items in transit which are stated at cost incurred to date. Cost comprises of all costs of procurement, cost of conversion, and other costs incurred in bringing the inventories to present location and condition.

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

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

### 4.8 Trade debts and other receivables

Trade debts originated by the Company are recognised and carried at original invoice amount less provision for doubtful debt. An estimated provision is made when collection of the full amount no longer receivable. Bad debts are written-off as and when identified.

Other receivable are recognised and carried at cost which is the fair value of the consideration to be received in the future for goods and services.

### 4.9 Loans, advances, deposits and prepayments

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

### 4.10 Cash and cash equivalents

Cash and cash equivalents are carried at cost and are defined as cash in hand and cash at banks. For the purpose of cashflow statement cash and cash equivalents comprise of cash in hand, cash at banks and term deposit receipts less than or equal to three months.

### 4.11 Trade and other payables

Liabilities for trade and other payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services whether or not billed to the Company.

### 4.12 Provisions

Provisions are recognised 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 reporting date and adjusted to reflect the current best estimate.



## Notes to the Financial Statements

### 4.13 Employee retirement benefits

#### Defined benefit plan

The Company operates an approved funded gratuity fund for all permanent employees. Annual contributions are made to the fund based on actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. The unrecognised actuarial gains or losses at each valuation date are charged to statement of other comprehensive income.

#### Defined contribution plan

The Company operates an approved contributory provident fund for all eligible employees. Contributions are made equally by the Company and employees at the rate of 6.45% of gross salary; and Employee retirement benefits are payable to eligible employees on completion of the prescribed qualifying period of service under these funds.

### 4.14 Employees' compensated absences

The liability for accumulated compensated absences of employees is recognised in the period in which employees render service that increases their entitlement to future compensated absences. The Company provides for its estimated liability towards leaves accumulated by employees on an accrual basis using current salary levels.

### 4.15 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 statement of profit or loss over the period of the borrowings on an effective interest basis.

### 4.16 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.

### 4.17 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates, and sales tax or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The Company has concluded that it is acting as a principal in all its revenue arrangements. The following are the specific recognition criteria that must be met before revenue is recognised:

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





## Notes to the Financial Statements

- 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 statement of profit or loss in the period in which they arise.
- Others are accounted for an accrual basis.

### 4.18 Taxation

#### Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any in accordance with the provisions of the income tax ordinance 2001. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

#### Deferred

Deferred tax is provided in full using the liability method, on all temporary differences arising at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, while deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forwards of unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow deferred tax asset to be recovered.

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

### 4.19 Expenses

All expenses are recognised in the statement of profit or loss on an accrual basis.

### 4.20 Foreign currency transactions and translations

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



## Notes to the Financial Statements

### 4.21 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 reporting date is considered as non-adjusting event and is recognised in the financial statements in the period in which such transfers are made.

### 4.22 Offsetting of financial assets and financial liabilities

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

	Note	2018 ----- (Rupees in '000) -----	2017
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	5.1	<b>1,573,237</b>	1,541,913
Capital work-in-progress	5.2	<b>15,882</b>	49,108
		<b>1,589,119</b>	1,591,021



## Notes to the Financial Statements

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

	2018													
	Land		Buildings on		Plant and machinery	Spare parts and stand-by equipment	Laboratory equipment	Furniture and fixtures	Electric, water and gas installation	Office and security equipment	Computers and computer accessories	Motor vehicles		Total
	Leasehold	Freehold	Leasehold land	Freehold land								Owned	Leased	
	(Rupees in '000)													
<b>At 1 July 2017</b>														
Cost	417	293	1,015	140,873	2,915,768	72,671	37,632	13,783	231,680	43,238	15,481	5,074	31,779	3,509,704
Accumulated depreciation	-	-	(1,012)	(28,580)	(1,692,138)	(67,027)	(28,331)	(4,485)	(73,464)	(35,769)	(13,867)	(4,743)	(18,375)	(1,967,791)
Opening net book value	417	293	3	112,293	1,223,630	5,644	9,301	9,298	158,216	7,469	1,614	331	13,404	1,541,913
<b>During the year</b>														
Additions	-	-	-	-	12,907	1,353	1,915	1,324	22,142	202	1,759	262	2,438	44,302
Transfers from CWIP	-	-	-	33,956	143,753	-	-	-	10,716	-	191	-	7,084	195,700
Disposals:														
Cost	-	-	-	-	139	-	-	-	-	-	-	133	4,226	4,498
Depreciation	-	-	-	-	(139)	-	-	-	-	-	-	(132)	(3,950)	(4,221)
Depreciation charge for the year	-	-	-	(3,411)	(175,234)	(3,453)	(1,581)	(817)	(14,621)	(2,181)	(1,047)	(238)	(5,818)	(208,401)
Closing net book value	417	293	3	142,838	1,205,056	3,544	9,635	9,805	176,453	5,490	2,517	354	16,832	1,573,237
<b>At 30 June 2018</b>														
Cost	417	293	1,015	174,829	3,072,289	74,024	39,547	15,107	264,538	43,440	17,431	5,203	37,075	3,745,208
Accumulated depreciation	-	-	(1,012)	(31,991)	(1,867,233)	(70,480)	(29,912)	(5,302)	(88,085)	(37,950)	(14,914)	(4,849)	(20,243)	(2,171,971)
Closing net book value	417	293	3	142,838	1,205,056	3,544	9,635	9,805	176,453	5,490	2,517	354	16,832	1,573,237
Depreciation rate % per annum	-	-	2.5%	2.5%	6%	25%	10%	6%	6%	15%	25%	20%	20%	
	2017													
	Land		Buildings on		Plant and machinery	Spare parts and stand-by equipment	Laboratory equipment	Furniture and fixtures	Electric, water and gas installation	Office and security equipment	Computers and computer accessories	Motor vehicles		Total
	Leasehold	Freehold	Leasehold land	Freehold land								Owned	Leased	
	(Rupees in '000)													
<b>At 1 July 2016</b>														
Cost	417	293	1,015	137,433	2,908,132	71,439	36,668	12,824	207,850	41,534	14,782	4,970	28,075	3,465,432
Accumulated depreciation	-	-	(1,012)	(25,266)	(1,519,681)	(61,232)	(26,666)	(3,746)	(60,581)	(33,417)	(12,309)	(4,494)	(12,361)	(1,760,765)
Opening net book value	417	293	3	112,167	1,388,451	10,207	10,002	9,078	147,269	8,117	2,473	476	15,714	1,704,667
<b>During the year</b>														
Additions	-	-	-	3,440	7,636	1,232	964	959	23,830	1,704	204	66	2,992	43,027
Disposals:														
Cost	-	-	-	-	-	-	-	-	-	-	495	38	712	1,245
Depreciation	-	-	-	-	-	-	-	-	-	-	(495)	(38)	(712)	(1,245)
Depreciation charge for the year	-	-	-	(3,314)	(172,457)	(5,795)	(1,665)	(739)	(12,883)	(2,352)	(1,063)	(211)	(5,302)	(211,576)
Closing net book value	417	293	3	112,293	1,223,630	5,644	9,301	9,298	158,216	7,469	1,614	331	13,404	1,541,913
<b>At 30 June 2017</b>														
Cost	417	293	1,015	140,873	2,915,768	72,671	37,632	13,783	231,680	43,238	15,481	5,074	31,779	3,509,704
Accumulated depreciation	-	-	(1,012)	(28,580)	(1,692,138)	(67,027)	(28,331)	(4,485)	(73,464)	(35,769)	(13,867)	(4,743)	(18,375)	(1,967,791)
Closing net book value	417	293	3	112,293	1,223,630	5,644	9,301	9,298	158,216	7,469	1,614	331	13,404	1,541,913
Depreciation rate % per annum	-	-	2.5%	2.5%	6%	25%	10%	6%	6%	15%	25%	20%	20%	



## Notes to the Financial Statements

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

	Note	2018	2017
----- (Rupees in '000) -----			
Cost of sales	24	<b>200,154</b>	198,567
Administration expenses	25	<b>8,247</b>	7,214
		<b>208,401</b>	205,781

5.1.2 Included herein assets costing Rs. 203.35 million (2017: Rs. 176.47 million), which are fully depreciated.

5.1.3 Free-hold land of the Company and building thereon, is situated at Jinnah Avenue, Malir Halt Karachi. This comprises of two parcels of land having area of 20 acres and 60 square yards. The Company also holds lease-hold land having area of 1,193 square yards and building thereon, situated at Plot No: 25-B, Central Avenue, Phase II, DHA Karachi.

5.1.4 All operating fixed assets disposed off during the year had net book value less than Rs. 500,000 and all the disposals were made in accordance with the Company's policy.

### 5.2 Capital work-in-progress

	2018	2017
----- (Rupees in '000) -----		
Building	<b>902</b>	28,705
Plant and machinery	<b>9,509</b>	17,903
Electrical installation	<b>215</b>	-
Vehicle	<b>5,256</b>	2,500
	<b>15,882</b>	49,108
The movement in capital work-in-progress is as follows:		
Balance as at beginning of the year	<b>49,108</b>	5,453
Additions during the year		
- Plant and machinery	<b>124,695</b>	22,151
- Building	<b>25,168</b>	32,363
- Electrical installation	<b>2,768</b>	-
- Vehicle	<b>9,843</b>	2,500
- Others	<b>-</b>	794
	<b>162,474</b>	57,808
Transfers to operating fixed assets		
- Plant and machinery	<b>(143,753)</b>	(5,990)
- Building	<b>(33,956)</b>	(3,440)
- Electrical installation	<b>(10,716)</b>	-
- Vehicle	<b>(7,084)</b>	(1,863)
- Others	<b>(191)</b>	(2,860)
	<b>(195,700)</b>	(14,153)
Balance at end of the year	<b>15,882</b>	49,108



## Notes to the Financial Statements

	Note	2018 ----- (Rupees in '000) -----	2017
<b>6. INTANGIBLE ASSETS</b>			
Software licenses	6.2	1,329	-
		<u>1,329</u>	<u>-</u>
<b>6.1 Opening</b>		-	-
Addition (at cost)		1,385	-
Amortisation charges		(56)	-
Net book value		<u>1,329</u>	<u>-</u>
amortisation rate per annum		<u>33% - 50%</u>	<u>-</u>
<b>6.2</b>		Includes herein software licenses amounting to Rs 878,264 (2017: Nil) having indefinite licensing term.	
<b>7. LONG-TERM INVESTMENTS</b>			
<b>Held-to-maturity</b>			
Pakistan Investment Bonds - conventional banking		779,176	772,123
Investment made during the year		399,999	-
Amortisation of discount on Pakistan Investment Bond	27	5,585	7,053
	7.1	<u>1,184,760</u>	<u>779,176</u>
Current maturity		<u>(784,761)</u>	<u>-</u>
		<u>399,999</u>	<u>779,176</u>
<b>7.1</b>		These represents investments in Pakistan Investmen Bonds (PIBs) carrying floating profit at the rate ranging from 6.85% to 7.33% (2017: 11.50%) with maturities in May 2028 and June 2028. The profit payments are made semi annually.	
<b>2018</b> ----- (Rupees in '000) -----			
<b>8. LONG-TERM DEPOSITS</b>			
Security deposits		<u>16,599</u>	<u>15,997</u>
<b>8.1</b>		These include deposits amounting to Rs 11.661 million (2017: Rs 11.661 million) given to the K-Electric on which interest is receivable at 5% (2017: 5%) per annum.	
<b>2018</b> ----- (Rupees in '000) -----			
<b>9. STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores		15,480	14,219
Spares - in hand		143,003	133,784
- in transit		27,922	6,828
Loose tools		381	258
		<u>186,786</u>	<u>155,089</u>
Provision for slow moving stores, spare parts and loose tools	9.1	<u>(13,511)</u>	<u>(16,456)</u>
		<u>173,275</u>	<u>138,633</u>



## Notes to the Financial Statements

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
<b>9.1 Provision for slow moving stores, spare parts and loose tools</b>			
Opening balance		16,456	14,341
Provision made during the year		-	2,115
Write-off during the year		(2,945)	-
		<b>13,511</b>	16,456
<b>10. STOCK-IN-TRADE</b>			
Raw materials - in hand		298,946	290,229
- in transit		5,902	17,155
		<b>304,848</b>	307,384
Slow moving raw material written off		(566)	(2,407)
Provision for slow moving raw materials	10.1	(914)	(929)
		<b>(1,480)</b>	(3,336)
Work-in-process		13,308	18,761
Semi-finished goods		62,652	201,937
Work-in-process		75,960	220,698
Finished goods		13,824	31,899
Slow moving finished goods written off		(574)	(876)
Provision for slow moving finished goods	10.2	(1,412)	(7,215)
		<b>11,838</b>	23,808
		<b>391,166</b>	548,554
<b>10.1 Provision for slow moving raw materials</b>			
Opening balance		929	3,264
Provision made during the year		551	72
Written-off during the year		(566)	(2,407)
		<b>(15)</b>	(2,335)
		<b>914</b>	929
<b>10.2 Provision for slow moving finished goods</b>			
Opening balance		7,215	-
(Reversal) / provision made during the year		(5,229)	8,091
Written-off during the year		(574)	(876)
		<b>(5,803)</b>	7,215
		<b>1,412</b>	7,215





## Notes to the Financial Statements

	Note	2018 ----- (Rupees in '000) -----	2017
<b>11. TRADE DEBTS - considered good</b>			
Unsecured			
Due from Pakistan Security Printing Corporation (Private) Limited - related party			
- considered good	11.1 & 11.2	509,393	631,788
Due from others		117,217	91
		626,610	631,879

**11.1** 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 726.28 million (2017: Rs 631.78 million).

**11.2** The aging of trade debts due from related party as at 30 June 2018 is as follows:

	Note	2018 ----- (Rupees in '000) -----	2017
<b>Neither past due nor impaired</b>		502,898	374,958
<b>Past due but not impaired</b>			
- 31 - 60		6,495	256,784
- 61 - 120		-	-
- 121 and above		-	46
		509,393	631,788

**11.3** The aging of unimpaired trade debts is disclosed in note 36.1.

## 12. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advance to suppliers - unsecured, considered good		35,348	51,773
Short-term prepayments		519	637
Short-term deposits	12.1	128	10,177
Loan to employees - considered good	12.2	87	330
Others		732	840
		36,814	63,757

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

**12.2** This represents loan provided to employees and carries interest at the rate of 7% (2017: 7%) per annum with maturity upto 28 February 2019.

	Note	2018 ----- (Rupees in '000) -----	2017
<b>13. INTEREST ACCRUED</b>			
Pakistan Investment Bonds		41,423	40,624
Security deposits		2,250	1,688
Treasury bills		1,344	-
Deposit and saving accounts		208	30
Term finance certificates - shariah compliant		16	32
Term deposit receipts - shariah compliant		-	5,274
		45,241	47,648



## Notes to the Financial Statements

	Note	2018 ----- (Rupees in '000) -----	2017
<b>14. INVESTMENTS</b>			
<b><i>Held to maturity</i></b>			
Pakistan Investment Bonds - conventional banking	7 & 14.1	<b>784,761</b>	-
Treasury bills	14.2	<b>98,589</b>	-
Term deposit receipts - shariah compliant		-	325,000
<b><i>Available for sale</i></b>			
Term finance certificates			
B.R.R. Guardian Modaraba			
563 (2017: 1,249) units of Rs 5,000 each	14.3	<b>2,112</b>	4,683
Units of Mutual Funds	14.4	<b>1,320,241</b>	1,502,929
		<b>2,205,703</b>	1,832,612

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

**14.2** This represent investment in treasury bill of six month carrying profit at the rate of 6.22% with maturity on 05 July 2018.

**14.3** Diminishing Musharaka based term finance certificates originally had a term of 6 years and carried profit at the rate of six months KIBOR plus 1.3% payable semi annually with maturity on 26 May 2014. The borrower had defaulted on certain payments and entered into a restructuring agreement with the trustee on 15 April 2011. As per the revised terms, the principal amount was redeemable in varying monthly installments commencing from 07 August 2011 and ending on 07 December 2016 with regular profit pricing at the rate 01 month KIBOR and certain deferred profit (pertaining before restructuring) payable on monthly basis. The borrower has again defaulted on certain payments and entered into second restructuring agreement with the trustee on 30 June 2016. Revised terms include:

- The principal amount will be redeemed in varying monthly installments commencing from 07 July 2016 and ending on 07 April 2019.
- Markup at the rate of 01 month KIBOR plus 1.5% payable on monthly basis.
- The overdue principal, regular profit and deferred profit as at Dec 06, 2015 are to be paid till March 31, 2016.

The borrower has paid overdue amounts and regular markup till March 06, 2016 as per revised terms.

The fair value of the investment has been determined using the rate notified by Mutual Fund Association of Pakistan.

14.4	2018 ----- (Units) -----	2017	Name of Investee Company	Note	2018 ----- (Rupees in '000) -----	2017
	<b>44,054,830</b>	43,354,077	- NAFA Islamic Stock Fund		<b>502,141</b>	568,133
	<b>4,965,112</b>	3,308,992	- Meezan Islamic Fund		<b>314,464</b>	252,840
	<b>18,754,879</b>	18,672,928	- NAFA Islamic Asset Allocation		<b>290,941</b>	318,971
	<b>7,840,227</b>	15,077,409	- Meezan Balance Fund		<b>121,024</b>	255,562
	<b>4,656,169</b>	4,656,101	- NIT Islamic Equity Fund	14.4.1	<b>46,096</b>	55,175
	<b>1,035,436</b>	1,035,436	- Meezan Strategic Allocation Plan-I		<b>45,575</b>	52,248
	<b>81,306,653</b>	86,104,943			<b>1,320,241</b>	1,502,929

**14.4.1** Represents investment in a mutual fund managed by related party National Investment Trust Limited.



## Notes to the Financial Statements

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
<b>15. CASH AND BANK BALANCES</b>			
Cash in hand		415	334
With banks in:			
- Current accounts	15.1	162	22
- Saving accounts	15.1	8,230	588
- Saving accounts - shariah compliant	15.2	371,489	8,453
- Deposit account		62	62
- Dividend accounts		25,292	20,471
		405,235	29,596
		405,650	29,930

**15.1** Saving accounts carry profit ranging from 3.75% to 7.00% per annum (2017: 3.75% to 5.25% per annum).

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

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
<b>16. TRADE AND OTHER PAYABLES</b>			
Creditors		20,541	36,558
Payable against purchase of operating fixed assets		102,627	34,881
Salaries, wages and benefits payable	16.1	107,916	86,664
Accrued employees' compensated absences	16.2	64,329	55,104
Sales tax payable		62,270	30,680
Withholding tax payable		48,541	29,312
Provision for fire tax	16.3	37,023	37,023
Workers' welfare fund	16.4	35,895	34,932
Utilities		30,035	21,393
Payable to contractors		25,179	13,446
Payable to gratuity fund	26.1.2	14,992	13,598
Payable to a related party - unsecured	16.7	10,039	6,820
Deposits repayable on demand	16.6	7,063	7,288
Advances from customers		2,948	1,397
Book overdraft		-	14,666
Workers' profit participation fund	16.5	(934)	71,222
Others		15,468	17,539
		583,932	512,523

**16.1** Includes herein bonus payables amounting to Rs 86.391 million (2017: Rs 81.344 million).

### 16.2 Accrued employees' compensated absences

Balance at beginning of the year	55,104	50,677
Charge for the year	9,225	4,427
Balance at end of the year	64,329	55,104



## Notes to the Financial Statements

### 16.3 Provision for fire tax

The Karachi Metropolitan Corporation (KMC) vide notification no.FB/DCFO/ENH-F.T-81/2001 dated 23 May 2001 changed the basis of charging Fire Tax and specified that this tax should be charged on the basis of water consumed. Previously, the fire tax was being levied on the basis of net annual rental value of the property as part of the property tax. The Company has filed a constitutional petition before the Honourable High Court of Sindh, Karachi challenging the above notification which is still pending. As a matter of abundant caution and without prejudice to the Company's contention in appeal, the management has made provision in respect of the above tax covering the period from 2003 to 2011.

	Note	2018 ----- (Rupees in '000) -----	2017
<b>16.4 Workers' welfare fund</b>			
Balance as at 1 July		<b>34,932</b>	33,871
Provision for the year	28	<b>22,723</b>	20,282
Prior year charge		<b>(1,227)</b>	(1,830)
Payments / adjustments during the year		<b>(20,533)</b>	(17,391)
		<b>35,895</b>	34,932
<b>16.5 Workers' profit participation fund</b>			
Balance as at 1 July		<b>71,222</b>	(1,678)
Add:			
Allocation for the year	28	<b>58,077</b>	73,832
Interest on funds utilised in the Company's business	29	<b>863</b>	-
		<b>58,940</b>	73,832
		<b>130,162</b>	72,154
Paid during the year		<b>(131,096)</b>	(932)
		<b>(934)</b>	71,222

**16.6** These represent interest free security deposits received from various contractors / suppliers. The amount received have been utilised for purpose of the business in accordance with the written agreements with them. An amount of Rs 0.062 million has been kept in a separate bank account.

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

## 17. SHORT TERM FINANCE AND OTHER FACILITIES

### 17.1 Running finance

At 30 June 2018, the Company has running finance facility from National Bank of Pakistan and Bank Al Habib Limited amounting to Rs 100 million each (2017: Rs 100 million each).

The arrangement from National Bank of Pakistan is secured by first pari passu hypothecation charge over stores, spares, loose tools, stock-in-trade and book debts of the Company with 35% margin amounting to Rs 154 million and are available till 31 December 2018. The outstanding balance against these facilities will be subject to mark-up at the rate prevailing on the last working day of each preceding month for the end of each calendar quarter Karachi Inter Bank Offered Rate (KIBOR- one month) plus 1.25 basis points (2017: one month's Karachi Inter Bank Offered Rate (KIBOR) plus 1.25 basis points).



## Notes to the Financial Statements

The arrangement from Bank Al Habib Limited (BAHL) is secured by lien over T - Bills and PIBs of Rs 785 million, import documents consigned in favour of BAHL and counter guarantees and is available till 31 December 2018. The outstanding balance against these facilities will be subject to mark-up at the rate 3 months average KIBOR to be reviewed on first working day of each calendar quarter on the basis of arithmetic mean of preceding six working day.

### 17.2 Running Musharka (Shariah Compliant Financing)

As at June 30 2018, the Company has arrangement of running musharka facility of Rs 200 million from Meezan Bank Limited (2017: Rs 200 million).

The arrangement is secured by first pari passu hypothecation charge created over stocks and receivables of the Company amounting to Rs 266.67 million in favour of the bank, lien over LC documents for sight LCs till 30 June 2019. Musharka profit would be determined on the basis of audited / interim accounts. Provisional profit would be paid quarterly using KIBOR of first working day / first disbursement date and average musharka facility availed to calculate the target profit plus profit above ceiling amount, if any, would be shared with the ratio 0.001% for Meezan Bank Limited and 99.999% for Security Papers Limited on the basis of audited accounts.

### 17.3 Import letter of credit (sight / usance)

As at 30 June 2018, 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 (2017: Rs 100 million facility from National Bank of Pakistan and Bank Al Habib Limited).

The Musharka facility from Meezan Bank Limited would also be used for import letter of credit (sight / usance) amounting to Rs 200 million.

### 17.4 Car Ijarah Facility

As at 30 June 2018, the Company has car ijarah facility from the Meezan Bank Limited amounting to Rs 50 million (2017: Rs 50 million) out of which Rs 2.088 million (2017: Rs 4.85 million) were utilised. The ownership of the cars would remained with Meezan bank during the tenor of the facility of each vehicle.

### 17.5 Lease Finance Facility

As at 30 June 2018, the Company has auto lease finance facility from Bank Al-Habib Limited amounting to Rs 30 million (2017: Rs 20 million) out of which Rs 10 million (2017: Rs. Nil) were earmarked from running finance limit. The arrangement is secured by 10% security deposit and vehicles would be registered and comprehensively insured in the name of Bank Al Habib.

### 17.6 Letter of guarantee facility

As at 30 June 2018, the Company has facilities from National Bank of Pakistan and Bank Al Habib Limited relating to letters of guarantee as follows:

	2018 ----- (Rupees in '000) -----	2017
Total facility available	<u>120,000</u>	<u>120,000</u>
Utilised facility	<u>49,972</u>	<u>49,972</u>



## Notes to the Financial Statements

### 18. LONG TERM LOAN - secured

	2018	2017
	----- (Rupees in '000) -----	
Balance as at 1 July	-	41,249
Repayments during the year	-	(40,037)
	-	1,212
Current maturity shown under current liabilities	-	(1,212)
	-	-

### 19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2018			2017		
	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	8,134	1,343	6,789	6,597	1,059	5,538
Later than one year and not later than five years	18,063	1,622	16,441	12,927	1,019	11,908
	<u>26,197</u>	<u>2,965</u>	<u>23,230</u>	<u>19,524</u>	<u>2,078</u>	<u>17,446</u>

**19.1** The above represents finance leases entered into with financial institutions for lease of motor vehicles. The liability under the agreement is payable by March 2021 in monthly installments and is subject to annual finance charge rates ranging from 7.39% to 8.28% (2017: 7.65% to 9.15%).

### 20. DEFERRED TAXATION - net

	2018	2017
	----- (Rupees in '000) -----	
<b>Deferred tax liabilities on taxable temporary differences:</b>		
accelerated tax depreciation	245,701	262,356
<b>Deferred tax asset on deductible temporary differences:</b>		
Provision for slow moving inventory, unfunded terminal benefits and fire tax	(16,081)	(19,343)
Amortisation of Pakistan Investment Bond	5,912	-
Loss on remeasurement of investment available for sales - OCI	(51,499)	(26,135)
Leased liability net of leased assets	(1,909)	(518)
	<u>(63,577)</u>	<u>(45,996)</u>
	<u>182,124</u>	<u>216,360</u>





## Notes to the Financial Statements

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

2018 (Number of shares)		2017		2018 ----- (Rupees in '000) -----		2017 ----- (Rupees in '000) -----	
1,250,000	1,250,000	Ordinary shares fully paid in cash		12,500		12,500	
58,005,984	58,005,984	Ordinary shares issued as fully paid bonus shares		580,059		580,059	
<b>59,255,984</b>	<b>59,255,984</b>			<b>592,559</b>		<b>592,559</b>	

21.1 The following shares are held by the related parties of the Company as at 30 June 2018:

Name of related party	2018		2017	
	Shares held	Percentage	Shares held	Percentage
Pakistan Security Printing Corporation (Private) Limited	23,721,739	40.03%	23,721,739	40.03%
Summer Holding A.S. (Turkey)	5,925,565	10.00%	5,925,565	10.00%
Industrial Development & Renovation Organisation of Iran, Tehran (Iran)	5,925,565	10.00%	5,925,565	10.00%
State Life Insurance Corporation of Pakistan	5,022,607	8.48%	5,022,607	8.48%
National Investment Trust	4,951,973	8.36%	4,951,973	8.36%
The Punjab Provincial Cooperative Bank Limited	4,254,280	7.18%	4,254,280	7.18%

In addition to the shares held, the above companies have representation on board and its committees.

### 22. CONTINGENCIES AND COMMITMENTS

	Note	2018 ----- (Rupees in '000) -----		2017 ----- (Rupees in '000) -----	
Income tax	22.1.1	10,221		10,221	
Claims against the Company not acknowledged as debt	22.1.2	1,120		2,379	
Sales Tax on Services	22.1.3	4,163		4,163	
		<b>15,504</b>		<b>16,763</b>	

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

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



## Notes to the Financial Statements

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

22.1.3 Assistant Commissioner (AC), Sindh Revenue Board had passed an order No: 450/2014 dated 05 August 2014 for payment of Sales Tax on Services for the years ended June 30, 2011, 2012 and 2013 on technical services received from M/s Sptec GmbH. AC had categorized the services under tariff heading 9823.0000 (Franchise Services). The Company had filed an appeal with Commissioner (Appeals) Sindh Revenue Board who had passed an order No: 60/2015 dated 24 February 2015 and upheld the order of the Assistant Commissioner. The Company had filed an appeal with Appellate Tribunal of Sindh Revenue Board which also upheld the order of AC. The Company has filed Sindh Sales Tax Reference Application before the Honorable High Court of Sindh against the order of Appellate Tribunal of SRB which is still pending. The management of the Company based on the advice of legal advisor is confident that the outcome of the case would be in its favour.

	Note	2018 ----- (Rupees in '000) -----	2017
<b>22.2 Commitments</b>			
Capital expenditure contracted for but not incurred		5,976	23,556
Commitments against letters of credit		62,389	54,057
		<u>68,365</u>	<u>77,613</u>
<b>23. SALES - net</b>			
Banknote paper		3,373,169	2,815,083
Non-banknote paper:			
- Commercial paper		107,756	10,207
- Others		575,827	500,051
		<u>683,583</u>	<u>510,258</u>
Sales tax		4,056,752	3,325,341
		(589,834)	(483,256)
	23.1	<u>3,466,918</u>	<u>2,842,085</u>

23.1 Includes sales made to related party Pakistan Security Printing Corporation (Private) Limited (PSPC) amounting to Rs 3.075 million (2017: Rs 2.833 million).

## 24. COST OF SALES

Opening stock of raw materials		307,384	222,241
Add: Purchases - net		853,359	779,613
		<u>1,160,743</u>	<u>1,001,854</u>
Closing stock of raw materials	10	(304,848)	(307,384)
Raw materials consumed		855,895	694,470
Salaries, wages and benefits	24.1	350,392	282,699
Utilities		271,894	254,248
Depreciation	5.1.1	200,154	198,567
Manufacturing services		143,113	116,513
Stores, spares and loose tools consumed		92,551	89,654
Defence security guards		41,526	30,029
Repairs and maintenance		39,578	41,828
Insurance		4,992	4,453
Rent, rates and taxes		1,101	991
Provision for slow moving raw materials	10.1	551	72
Provision for slow moving stores, spare parts and loose tools		-	2,115
Provision for slow moving finished goods	10.2	(5,229)	8,091
Other expenses		15,240	10,643
		<u>2,011,758</u>	<u>1,734,373</u>
Opening stock of work-in-process		220,698	214,301
Less: Closing stock of work-in-process	10	(75,960)	(220,698)
Cost of goods manufactured		<u>2,156,496</u>	<u>1,727,976</u>
Opening stock of finished goods		31,023	57,602
Closing stock of finished goods	10	(13,824)	(31,899)
		<u>2,173,695</u>	<u>1,753,679</u>



## Notes to the Financial Statements

### 24.1 Employee retirement benefits

Salaries, wages and benefits include Rs 31.416 million (2017: Rs 27.090 million) in respect of employee retirement benefits.

	Note	2018 ----- (Rupees in '000) -----	2017
<b>25. ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and benefits	25.1	<b>189,021</b>	160,537
Repairs and maintenance		<b>10,847</b>	8,571
Depreciation	5.1.1	<b>8,247</b>	7,214
Legal and professional		<b>6,325</b>	3,006
Travelling expenses including those of directors Rs 4.181 million (2017: Rs 2.905 million)		<b>5,648</b>	3,323
Printing and stationery		<b>3,120</b>	2,427
Advertisement		<b>3,007</b>	2,854
Packing and forwarding		<b>2,954</b>	1,228
Training		<b>2,825</b>	468
Communication		<b>2,738</b>	2,496
Entertainment		<b>1,389</b>	1,709
Rent, rates and taxes		<b>1,010</b>	596
Software expenses		<b>408</b>	262
Amortisation of intangible assets		<b>56</b>	-
Others		<b>6,146</b>	2,768
		<b>243,741</b>	197,459

**25.1** Salaries, wages and benefits include Rs 16.626 million (2017: Rs 12.631 million) in respect of employee retirement benefits.

### 26. EMPLOYEES' RETIREMENT BENEFITS

#### 26.1 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 2018. The projected unit credit method, using the following significant assumptions has been used for the actuarial valuation.

	2018	2017
<b>26.1.1 Actuarial assumptions</b>		
a) Discount rate	<b>8.00%</b>	8.00%
b) Salary Increase Rate - Short Term	<b>10.50%</b>	10.50%
c) Salary Increase Rate - Long Term	<b>8.00%</b>	8.00%
d) Interest Credit Rate	<b>8.00%</b>	8.00%
e) Expected return on plan assets	<b>8.00%</b>	8.00%



## Notes to the Financial Statements

	Note	2018 ----- (Rupees in '000) -----	2017
<b>26.1.2 Amounts recognised in the balance sheet are as follows:</b>			
Present value of defined benefit obligations	26.1.4	<b>373,871</b>	342,334
Fair value of plan assets	26.1.5	<b>(358,879)</b>	(328,736)
Liability on balance sheet		<b>14,992</b>	13,598
<b>26.1.3 Movement in net liability recognised:</b>			
Opening net liability		<b>13,598</b>	5,174
Expense recognized during the year		<b>25,181</b>	20,787
Other comprehensive income		<b>(8,783)</b>	(5,833)
Contributions and benefits paid on behalf of the fund		<b>(15,004)</b>	(6,530)
Closing net liability		<b>14,992</b>	13,598
<b>26.1.4 Movement in present value of defined benefit obligations</b>			
Opening present value of obligation		<b>342,334</b>	336,986
Current service cost		<b>12,181</b>	11,279
Interest cost		<b>13,000</b>	9,508
Benefits paid		<b>(37,227)</b>	(42,125)
Remeasurement loss on obligation		<b>16,737</b>	3,920
Income distributed among the members		<b>26,846</b>	22,766
Closing present value of obligation		<b>373,871</b>	342,334
<b>26.1.5 Movement in the fair value of plan assets</b>			
Opening fair value of plan assets		<b>328,736</b>	331,812
Expected return on plan assets		<b>26,846</b>	22,766
Remeasurement gain on plan assets		<b>13,691</b>	9,753
Benefits paid		<b>(37,227)</b>	(42,125)
Contribution by the Company		<b>26,833</b>	6,530
Closing fair value of plan assets		<b>358,879</b>	328,736
<b>26.1.6 Expense recognised in the statement of profit or loss</b>			
Current service cost		<b>12,181</b>	11,279
Net Interest cost		<b>(13,846)</b>	(13,258)
Income distributed among members		<b>26,846</b>	22,766
Cost for the year		<b>25,181</b>	20,787
<b>26.1.7 Return on plan assets is as follows:</b>			
Expected return on plan assets		<b>26,846</b>	22,766
Remeasurement gains on plan assets		<b>13,691</b>	9,753
Return on plan assets		<b>40,537</b>	32,519



## Notes to the Financial Statements

	2018	2017
<b>26.1.8 Plan assets comprised of following</b>		
Defence Saving Certificates (DSCs)	<b>10%</b>	10%
Regular Income Certificates (RICs)	<b>27%</b>	27%
Special Saving Certificates (SSCs)	<b>60%</b>	60%
Bank account and short-term deposits	<b>3%</b>	3%
	<b>100%</b>	100%

### 26.1.9 Deficit on the plan assets are as follows:

	2018	2017	2016	2015	2014
	----- (Rupees in '000) -----				
Present value of defined benefit obligation	<b>(373,871)</b>	(342,334)	(336,986)	(316,026)	(270,015)
Fair value of plan assets	<b>358,879</b>	328,736	331,812	283,347	263,610
Deficit	<b>(14,992)</b>	(13,598)	(5,174)	(32,679)	(6,405)

### 26.1.10 5 years data on experience adjustments are as follows:

Loss / (gain) on obligation	<b>16,737</b>	3,920	10,690	10,935	(1,141)
(Gain) / loss on plan assets	<b>13,691</b>	(9,753)	(17,400)	3,725	18,149

**26.1.11** 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 2018.

**26.1.12** The information provided in notes 26.1.1 to 26.1.10 has been obtained from the valuation carried out by independent actuaries as at 30 June 2018.

## 26.2 Defined contribution plan

	2018 Un-audited	2017 Un-audited
	----- (Rupees in '000) -----	
Size of the trust	<b>440,990</b>	421,905
Cost of investment made	<b>292,580</b>	292,637
Percentage of the investment made	<b>66.35%</b>	69.36%
Fair value of investment made	<b>292,580</b>	292,637



# Security Papers LIMITED

## Notes to the Financial Statements

	2018		2017	
	Un-Audited Investment Rs in 000	% of Investment as size of the fund	Un-Audited Investment Rs in 000	% of Investment as size of the fund
<b>26.2.1 Breakup of investment</b>				
Special Saving Certificates	258,448	88.3%	258,645	88.4%
Pakistan Investment Bond	33,544	11.5%	33,404	11.4%
Mutual Fund	588	0.2%	588	0.2%
	<u>292,580</u>		<u>292,637</u>	

**26.2.2** Based on the un-audited financial information of the provident and gratuity funds (the "Funds") as at June 30, 2018, investments in collective investment schemes and listed equity securities out of the Funds have been made in accordance with the provisions of section 218 of the Act and the conditions specified thereunder.

	Note	2018 ----- (Rupees in '000) -----	2017
<b>27. OTHER INCOME</b>			
<b>Income from financial assets</b>			
Amortisation of discount on Pakistan Investment Bond		5,585	7,053
Gain on redemption of mutual fund		-	291,604
Dividend income on mutual fund		3,189	100,927
Reversal of impairment on term finance certificates		857	536
Mark-up on:			
- Pakistan Investment Bonds		91,046	97,169
- Bank deposits and savings account		17,775	9,938
- Treasury bills		3,798	-
- Term deposit receipts		3,101	5,274
- Savings account		1,498	1,913
- Security deposits		563	563
- Term finance certificate - BRR		349	478
- Loan to employees		17	16
		<u>127,778</u>	<u>515,471</u>
<b>Income from non-financial assets</b>			
Gain on sale of property, plant and equipment		1,457	127
Sale of waste materials		1,988	3,270
Others		1,917	1,832
		<u>5,362</u>	<u>5,229</u>
		<u>133,140</u>	<u>520,700</u>
<b>28. OTHER CHARGES</b>			
Workers' profit participation fund	16.5	58,077	73,832
Workers' welfare fund	16.4	22,723	20,282
Donation	28.1	8,284	6,297
Exchange loss - net	28.3	6,682	1,855
Loss on redemption of mutual fund		1,506	-
Auditors' remuneration	28.2	1,150	1,126
		<u>98,422</u>	<u>103,392</u>

**28.1** During the year, the Company has made donations to the following exceeding Rs 500,000/-.





## Notes to the Financial Statements

Name of Donee	Note	2018	2017
		----- (Rupees in '000) -----	
Sindh Graduates Association		3,050	-
HANDS		3,000	-
Akhuwat		-	1,000
Kidney Centre (Procure Equipment)		-	2,280
None of the directors or their spouses had any interest in any of the donee except chief executive / director Mr. Ali Hussain who is a member of Sindh Graduates Association.			
<b>28.2 Auditors' remuneration</b>			
Audit fee		770	770
Review of half yearly financial statements		152	144
Special certification, Code of Corporate Governance and other services		37	25
Out of pocket expenses		191	187
		<u>1,150</u>	<u>1,126</u>
<b>28.3</b>	Represents exchange loss - net arising on revaluation of actual currency financial assets and liabilities.		
<b>29. FINANCE COSTS</b>			
Interest / mark-up on:			
- finance leases		1,233	1,188
- lease rental - operating		1,073	1,049
- Workers' profit participation fund	16.5	863	-
- short-term finance		167	199
- long-term finance		9	938
Bank charges		970	755
		<u>4,315</u>	<u>4,129</u>
<b>30. TAXATION - net</b>			
Current			
- for the year		346,867	400,655
- for prior year		3,478	(1,649)
		<u>350,345</u>	<u>399,006</u>
Deferred		(8,872)	(32,533)
		<u>341,473</u>	<u>366,473</u>
<b>30.1 Reconciliation between tax expense and accounting profit</b>			
Accounting profit before taxation		1,079,885	1,304,126
Tax on accounting profit @ 30% (2017: 31%)		323,965	404,279
Rebates under section 61, 65A and 65B of the Ordinance		(21,223)	(11,967)
Tax at reduced rate		(339)	(65,045)
Tax effect of permanent differences		972	1,039
Effect of reduction in tax rate		(8,056)	(8,086)
Super tax		33,494	42,323
Tax effect of prior year		3,478	(1,649)
Tax on amortisation of Pakistan Investment Bonds		5,912	3,448
Others		3,270	2,131
		<u>341,473</u>	<u>366,473</u>
Average rate of tax		32%	28%



## Notes to the Financial Statements

Management has provided sufficient tax provision in financial statements in accordance with income tax ordinance, 2001. Following is the comparison of tax provision as per accounts vis a vis tax assessment for last three years

	<b>Deemed assessment ----- (Rupees in '000) -----</b>	<b>Provision</b>
Tax Year 2017	<b>405,360</b>	400,655
Tax Year 2016	<b>302,479</b>	302,298
Tax Year 2015	<b>209,402</b>	213,927

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

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

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

The Company has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the above appellate order of CIR(A) in respect of Workers Welfare Fund (WWF). The hearing of appeal filed before the ATIR is still pending.

The Company had previously exercised option of being assessed under the Final Tax Regime (FTR) in respect of goods manufactured by it, which was valid for tax years 2005 to 2007. However, due to the amendments made by the Finance Act 2005 and insertion of clause (41A) of Part IV of the second schedule to the Ordinance, the facility of assessment under FTR available for tax years 2006 and 2007 has been withdrawn. The Company has filed a constitutional petition with the High Court challenging the withdrawal of the facility upto and including tax year 2007. The High Court has admitted the petition for hearing. Based on tax advice, the Company has filed returns of income for tax years 2006 and 2007 under FTR. The liability for the aforesaid tax years has however been recorded in these financial statements under the Normal Tax Regime. Further, the tax return for the tax years 2006 and 2007 are deemed to be assessed under provisions of the Income Tax Ordinance, 2001 ("the Ordinance") unless selected for an audit by the taxation authorities at any time during a period of five years from the date of filling. According to legal advice, since the period of five years has lapsed, tax years 2006 and 2007 are time barred for selection of audit. The management of the Company based on this advice is confident that no adverse outcome will arise from this matter.

The proceedings for monitoring of withholding taxes for the Tax Year 2015 and Tax Year 2017 have been initiated by the Deputy Commissioner Inland Revenue (DCIR) LTU Karachi, in response Company have submitted relevant information with the DCIR.



## Notes to the Financial Statements

### 31. EARNINGS PER SHARE

		2018 ----- (Rupees in '000) -----	2017
Profit after taxation		<b>738,412</b>	937,653
		<b>(Number of shares)</b>	
Weighted average number of ordinary shares	18	<b>59,255,984</b>	59,255,984
		<b>(Rupees)</b>	
Earnings per share - basic and diluted		<b>12.46</b>	15.82

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

### 32. 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:

	2018			2017		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	----- (Rupees in '000) -----					
Directors' fee	640	25,600	-	4,295	18,955	-
Managerial remuneration, utilities, Housing perquisites etc (including bonus)	6,637	-	58,364	3,390	-	44,430
Reward	3,125	-	-	3,571	-	-
Retirement benefit	-	-	5,594	-	-	1,986
Medical	-	-	2,615	-	-	1,995
Total	<b>10,402</b>	<b>25,600</b>	<b>66,573</b>	<b>11,256</b>	<b>18,955</b>	<b>48,411</b>
Number of persons	<b>2</b>	<b>7</b>	<b>13</b>	<b>1</b>	<b>7</b>	<b>10</b>

**32.1** The Company bears the travelling expenses of Chief executive, directors and executives relating to travel for official purposes including expenses incurred in respect of attending board meetings.

**32.2** The Chief Executive and certain Executives are provided with Company's owned and maintained car. They are also provided life and health insurance coverage.

**32.3** The above amount to Chief Executive includes Rs 1.02 million and Rs 3.125 million paid to ex - Chief Executive on account of managerial remuneration and rewards respectively.



## Notes to the Financial Statements

**32.4** The Chief Executive and Directors 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.

**32.5** During the year ended 30 June 2015, a former Chief Executive filed suit against the Company for the recovery of full and final settlement of dues. During the current financial year ended 30 June 2018, the case has been settled out of court and the company has paid an amount of Rs 3.01 million. The amount is not included in chief executive remuneration stated above.

### 33. TRANSACTIONS WITH RELATED PARTIES

	2018			
	Key Management Personnel	Associated under- takings	Other	Total
	----- (Rupees in '000) -----			
<b>Transactions during the year:</b>				
Sale of goods to Pakistan Security Printing Corporation (Private) Limited - net	-	3,075,120	-	3,075,120
State Life Insurance Corp: Limited (Life Insurance facility)	-	-	1,693	1,693
Remuneration to key management personnel	102,575	-	-	102,575
<b>Balance outstanding at the year end</b>				
Receivable from Pakistan Security Printing Corporation (Private) Limited - net	-	499,354	-	499,354

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



## 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.

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

There are no transactions with key management personnel other than under their terms of employments / entitlements. Balances outstanding from related parties are interest free, unsecured and repayable on demand. Particulars of transactions with workers' profit participation fund and employee retirement benefit and contribution funds are disclosed in notes 16.5 and 26 to the financial statements.

	2018	2017
	(Tons)	
<b>34. PRODUCTION CAPACITY</b>		
Total Installed Capacity - on three shift basis	3,500	3,000
Available installed capacity - based on available three shift working days	3,472	2,921
Actual production	3,273	2,822

The short capacity utilisation during the year was due to scheduled plant shut down of 15 days (2017: 10 days) for maintenance purposes.

	Note	2018	2017
		----- (Rupees in '000) -----	
<b>35. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		1,079,885	1,304,126
<b>Adjustments for:</b>			
Depreciation		208,401	205,781
Working capital changes	35.1	229,115	(350,051)
Finance costs		4,315	4,129
Provision for slow moving stock		1,963	10,278
Gain on redemption of investments		1,506	(291,604)
Amortisation of Intangible assets		56	-
Mark-up on security deposits		(563)	(563)
Reversal of impairment on term finance certificates		(857)	(536)
Gain on disposal of operating fixed assets		(1,457)	(127)
Dividend income on mutual fund		(3,189)	(100,927)
Amortisation of discount		(5,585)	(7,053)
Reversal of provision of slow moving stock - net		(6,641)	-
Mark-up on bank deposits and saving accounts		(19,273)	(9,938)
Mark-up on investments		(98,294)	(104,834)
		309,497	(645,445)
		1,389,382	658,681



## Notes to the Financial Statements

	2018	2017
	----- (Rupees in '000) -----	
<b>35.1 Working capital changes</b>		
<b>Decrease / (increase) in current assets</b>		
Stores, spare parts and loose tools	(34,642)	(32,723)
Stock-in-trade	151,353	(69,711)
Trade debts	5,269	(320,987)
Loans, advances, deposits, prepayments and other receivables	26,943	(28,784)
	148,923	(452,205)
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	80,192	102,154
	229,115	(350,051)
<b>35.2 CASH AND CASH EQUIVALENTS</b>		
Term deposits receipts having maturity of three months or less	14	-
Cash and bank balances	15	75,000
	405,650	29,930
	405,650	104,930

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. No changes were made in the objectives, policies or processes and assumptions during the year ended 30 June 2018 which are summarized below:

#### 36.1 Credit risk

Credit risk represents the financial loss that would be recognised at the reporting date if counterparties fail completely to perform as contracted. Out of the total financial assets of Rs 3,561.65 million (2017: Rs 3,401 million), the financial assets which are subject to credit risk amounted to Rs 2,704.93 million (2017: Rs 2,244.08 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 PSPC and the amount due from PSPC at the balance sheet constituted 14.30% (2017: 18.58%) 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

		2018	2017
----- (Rupees in '000) -----			
Investments		<b>1,322,353</b>	1,507,612
Trade debts	11	<b>626,610</b>	631,879
Loans, deposits, interest accrued and other receivables		<b>62,787</b>	74,992
Bank balances	15	<b>405,235</b>	29,596
		<b>2,416,985</b>	2,244,079

### Quality of financial assets

Investments comprise of Term Finance Certificates, Term Deposit Receipts and Units of Mutual Funds. The analysis below summarises the credit quality of the Company's investments. Besides these investments, the Company also has investments in Treasury Bills and Pakistan Investment Bonds as disclosed in note 14 and 7 to the financial statements.

	2018	2017
Term finance certificates (refer note 14.3)	<b>D</b>	D
Meezan Islamic Income Fund	<b>AM1</b>	AM1
NIT Islamic Equity Fund	<b>AM2++</b>	AM2++
Nafa Islamic Stock Fund	<b>AM1</b>	AM1
Meezan Strategic Allocation Fund - I	<b>AM1</b>	AM1
Nafa Islamic Asset Allocation Fund	<b>AM1</b>	AM1
- -		
Meezan Balance Fund	<b>AM1</b>	AM1

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

	2018		2017	
	Gross	Impairment	Gross	Impairment
----- (Rupees in '000) -----				
Neither past due nor impaired	<b>585,934</b>	-	374,958	-
Past due but not impaired				
- 31 - 60	<b>33,757</b>	-	256,784	-
- 61 - 120	<b>6,816</b>	-	-	-
- 121 - 360	<b>12</b>	-	57	-
- 360 and above	<b>91</b>	-	80	-
	<b>626,610</b>	-	631,879	-

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



## Notes to the Financial Statements

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

Bank	Rating agency	Short-term Rating	2018	2017
----- (Rupees in '000) -----				
National Bank of Pakistan Limited	PACRA	A1+	25,454	20,494
Bank Al Habib Limited	PACRA	A1+	(54,555)	(14,604)
Meezan Bank Limited	JCR - VIS	A1+	371,489	8,453
Khushhali Microsoft Bank Limited	JCR - VIS	A1	7,570	-
Habib Metropolitan Bank Limited	PACRA	A1+	517	499
Bank Al Falah Limited	PACRA	A1+	124	70
MIB Bank Limited (Formerly NIB Bank Limited)	PACRA	A1	19	18
			<u>350,618</u>	<u>14,930</u>

### 36.2 Liquidity risk

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

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



## Notes to the Financial Statements

	2018					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	----- (Rupees in '000) -----					
<b>Financial Liabilities</b>						
Trade and other payables	605,514	(605,514)	(182,267)	(85,138)	(338,109)	-
Liabilities against assets subject to finance lease	23,230	(26,197)	(3,298)	(3,299)	(12,927)	-
Accrued mark up	12	(12)	(12)	-	-	-
	<b>628,756</b>	<b>(631,723)</b>	<b>(185,577)</b>	<b>(88,437)</b>	<b>(351,036)</b>	-

	2017					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	----- (Rupees in '000) -----					
<b>Financial Liabilities</b>						
Long term loans	1,212	(1,245)	(1,245)	-	-	-
Trade and other payables	472,259	(472,259)	(213,317)	(233,592)	(25,350)	-
Liabilities against asset subject to finance lease	17,446	(19,524)	(3,298)	(3,299)	(12,927)	-
Accrued mark up	82	(82)	(82)	-	-	-
	<b>490,999</b>	<b>(493,110)</b>	<b>(217,942)</b>	<b>(236,891)</b>	<b>(38,277)</b>	-

### 36.3 Market risk

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

#### 36.3.1 Currency risk

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



## Notes to the Financial Statements

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

	2018			
	USD	GBP	Euro	Total
	------(Rupees in '000)-----			
Payable against purchase of operating fixed assets	-	-	29,871	29,871
Trade & other payables	-	1,109	1,437	2,546
Gross balance sheet exposure	-	1,109	31,308	32,417
Outstanding letters of credit	<b>24,099</b>	<b>15,870</b>	<b>22,420</b>	<b>62,389</b>
Net exposure	<b>24,099</b>	<b>16,979</b>	<b>53,728</b>	<b>94,806</b>

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

The following significant exchange rates have been applied:

	Reporting date rate	
	2018	2017
USD to PKR	<b>121.60</b>	105.00
Euro to PKR	<b>141.57</b>	120.14
GBP to PKR	<b>159.41</b>	136.68

### Sensitivity analysis

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



## Notes to the Financial Statements

	2018 ----- (Rupees in '000) -----	2017
<b>Effect on profit</b>		
Increase	2,192	1,845
Decrease	(2,192)	(1,845)

### 36.3.2 Interest rate risk

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

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

	Note	2018 ----- (Rupees in '000) -----	2017
<b>Financial assets</b>			
<b>Fixed rate instruments</b>			
Term deposit receipts - shariah compliant	14	-	325,000
Pakistan Investment Bonds	7	399,999	779,176
		<u>399,999</u>	<u>1,104,176</u>
<b>Variable rate instruments</b>			
Term finance certificates	14	2,112	4,683
		<u>2,112</u>	<u>4,683</u>
<b>Financial liabilities</b>			
<b>Variable rate instruments</b>			
Long-term loan	18	-	1,212
Liabilities against asset subject to finance lease	19	23,230	17,446
		<u>23,230</u>	<u>18,658</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 statement of profit or loss.

### Cash flow sensitivity analysis for variable rate instruments

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



## Notes to the Financial Statements

	<u>Effect on profit and loss</u>	
	<b>100 bp increase</b>	<b>100 bp decrease</b>
	<b>(Rupees in '000)</b>	
<b>As at 30 June 2018</b>		
Cash flow sensitivity - Variable rate instruments	<u>232</u>	<u>(232)</u>
<b>As at 30 June 2017</b>		
Cash flow sensitivity - Variable rate instruments	<u>187</u>	<u>(187)</u>

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

### 36.3.3 Other price risk

Other price risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Company's investment in units of mutual fund and term finance certificates of B.R.R. Guardian Modaraba.

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

	<b>2018</b>	<b>2017</b>
	<b>(Rupees in '000)</b>	
B.R.R. Guardian Modaraba term finance certificates	<u>211</u>	<u>468</u>
Units of mutual funds	<u>132,024</u>	<u>150,293</u>

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

### 36.3.4 Capital risk management

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

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

## 37 FAIR VALUE OF FINANCIAL INSTRUMENTS

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





## Notes to the Financial Statements

### Fair value hierarchy

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

Level 1: Quoted market price

Level 2: Valuation techniques (market observable); and

Level 3: Valuation techniques (non-market observables)

	Level 1	Level 2	Level 3
	----- (Rupees in '000) -----		
<b>30 June 2018</b>			
<b>Available for sale investments</b>			
B.R.R. Guardian Modaraba term finance certificates	-	-	2,112
Units of Mutual Funds	<u>1,320,241</u>	<u>-</u>	<u>-</u>
<b>30 June 2017</b>			
<b>Available for sale investments</b>			
B.R.R. Guardian Modaraba Term Finance Certificates	-	-	4,683
Units of Mutual Funds	<u>1,502,929</u>	<u>-</u>	<u>-</u>

### 38. OPERATING SEGMENTS

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

**38.1** Revenue from bank note paper represents 83.16% (2017 : 84.67%) of the total revenue of the Company.

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

**38.3** All non-current assets of the Company at 30 June 2018 are located in Pakistan.

**38.4** One customer (PSPC) of the Company accounts for 88.70% (2017: 99.69%) of total revenue of the Company for the year.

### 39. 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

### 40. GENERAL

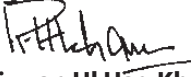
**40.1** The Board of Directors in its meeting held on 27 July 2018 has proposed a cash dividend in respect of the year ended 30 June 2018 of Rs 8.00 per share (2017: Rs 8.00 per share). In addition, the directors have also announced appropriation of Rs 264.36 million (2017: Rs 463.60 million) to revenue reserves. These appropriations will be approved in the forthcoming Annual General meeting. The financial statements for the year ended 30 June 2018 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

**40.2** The number of employees including contractual employees of the Company are as follows:

	2018 ----- Numbers -----	2017
At year end	387	386
Average employees during the year	383	400
Factory employees	264	283

**40.3** These financial statements were authorised for issue on 27 July 2018 by the Board of Directors of the Company.

  
**Ali Hussain**  
Chief Executive Officer

  
**Rizwan Ul Hāq Khan**  
Chief Financial Officer

  
**Muhammad Ayub**  
Director



## Pattern of Shareholding

As at June 30, 2018

Number of Shareholders	No. of Shareholdings		Number of Shares
	From	To	
611	1	100	17,108
385	101	500	121,636
265	501	1,000	217,058
435	1,001	5,000	1,096,006
113	5,001	10,000	860,447
46	10,001	15,000	568,164
22	15,001	20,000	382,386
13	20,001	25,000	287,595
8	25,001	30,000	221,416
4	30,001	35,000	132,267
3	35,001	40,000	110,168
6	40,001	45,000	258,311
5	45,001	50,000	236,803
2	50,001	55,000	106,501
3	55,001	60,000	169,299
2	65,001	70,000	135,273
2	70,001	75,000	143,060
4	100,000	105,000	400,000
1	115,001	120,000	117,607
1	160,001	165,000	164,220
2	175,000	180,000	352,847
1	180,001	185,000	182,000
1	195,001	200,000	195,677
2	235,001	240,000	479,138
1	250,000	255,000	250,000
1	300,001	305,000	300,500
1	395,001	400,000	399,367
1	765,001	770,000	768,703
1	870,001	875,000	870,365
1	925,001	930,000	928,689
1	1,345,001	1,350,000	1,346,415
1	2,585,001	2,590,000	2,587,428
1	4,250,001	4,255,000	4,254,280
1	5,020,001	5,025,000	5,022,384
2	5,925,001	5,930,000	11,851,128
1	23,720,001	23,725,000	23,721,739
<b>1,950</b>			<b>59,255,985</b>



# Security Papers LIMITED

## Pattern of Shareholding

As at June 30, 2018

Categories of Shareholders	Number	Shares held	Percentage
<b>i. Associated Companies, Undertakings and Related Parties</b>	<b>3</b>	<b>35,572,867</b>	<b>60.03</b>
SUMER HOLDING A.S.	1	5,925,564	10.00
INDUSTRIAL DEVELOPMENT & RENOVATION ORGANIZATION OF IRAN	1	5,925,564	10.00
PAKISTAN SECURITY PRINTING CORPORATION (PVT.) LIMITED	1	23,721,739	40.03
<b>ii. Mutual Funds</b>	<b>1</b>	<b>2,587,428</b>	<b>4.37</b>
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	2,587,428	4.37
<b>iii. Directors and their Spouse(s) and minor children</b>	<b>2</b>	<b>1,787</b>	<b>0.00</b>
SHEIKH MOHAMMAD AIJAZ AKHTAR	2	1,787	0.00
<b>iv. Executives</b>	-	-	-
<b>v. Public Sector Companies and Corporations</b>	<b>4</b>	<b>6,251,796</b>	<b>10.55</b>
STATE LIFE INSURANCE CORPORATION OF PAKISTAN	2	5,022,607	8.48
PAKISTAN REINSURANCE COMPANY LIMITED	1	928,689	1.57
EMPLOYEES OLD AGE BENEFITS INSTITUTION	1	300,500	0.51
<b>vi. Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds</b>	<b>15</b>	<b>6,883,725</b>	<b>11.62</b>
HABIB BANK LIMITED	2	130	0.00
UNITED BANK LIMITED	1	318	0.00
MERCANTILE COOPERATIVE FINANCE	1	35,231	0.06
MUSLIM COMMERCIAL BANK LIMITED	1	153	0.00
E F U GENERAL INSURANCE LIMITED	1	749	0.00
INNOVATIVE INVESTMENT BANK LIMITED	1	1,428	0.00
THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED	1	4,254,280	7.18
NATIONAL BANK OF PAKISTAN	2	1,347,897	2.27
SAUDI PAK INDUSTRIAL & AGRICULTURAL INVESTMENT CO. LTD.- CAD	1	100,000	0.17
EFU LIFE ASSURANCE LIMITED	1	870,365	1.47
ALLIANZ EFU HEALTH INSURANCE LIMITED	1	33,600	0.06
TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	1	239,541	0.40
CDC - TRUSTEE PAKISTAN PENSION FUND - EQUITY SUB FUND	1	33	0.00
<b>General Public</b>	<b>1887</b>	<b>5,745,274</b>	<b>9.70</b>
a. Local	1887	5,745,274	9.70
b. Foreign	-	-	-



## Pattern of Shareholding

As at June 30, 2018

Categories of Shareholders	Number	Shares held	Percentage
<b>Others</b>	<b>38</b>	<b>2,213,108</b>	<b>3.73</b>
FIKREE DEVELOPMENTS CORPORATION (PRIVATE) LIMITED	1	5,578	0.01
AZEEM SERVICES (PVT.) LIMITED	1	1	0.00
N. H. SECURITIES (PVT.) LIMITED	1	37	0.00
ABRIS (PRIVATE) LIMITED	1	8,000	0.01
PRUDENTIAL SECURITIES LIMITED	1	53	0.00
Y.S. SECURITIES & SERVICES (PVT.) LIMITED	1	102	0.00
DAWOOD FOUNDATION	1	239,597	0.40
MILLWALA SONS (PRIVATE) LIMITED	1	64	0.00
MOHAMAD AMIN BROS (PVT.) LIMITED	1	5,000	0.01
TRUSTEES SAEEDA AMIN WAKF	1	66,960	0.11
TRUSTEES MOHAMAD AMIN WAKF ESTATE	1	117,607	0.20
TRUSTEES AL-BADER WELFARE TRUST	1	58,809	0.10
TECHNOLOGY LINKS (PVT.) LIMITED	1	6,683	0.01
DEPUTY ADMINISTRATOR ABANDONED PROPERTIES ORGANIZATION	1	399,367	0.67
TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	1	8,404	0.01
SIZA (PRIVATE) LIMITED	1	10,000	0.02
TRUSTEE MOMIN ADAMJEE WELFARE TRUST	1	31,600	0.05
GLOBE MANAGERMENTS (PRIVATE) LIMITED	1	7,000	0.01
S.H. BUKHARI SECURITIES (PVT.) LIMITED	1	921	0.00
CRESCENT COTTON MILLS LIMITED	1	522	0.00
TRUSTEES D.G.KHAN CEMENT CO.LTD.EMP. P.F	1	164,220	0.28
H M INVESTMENTS (PVT.) LIMITED	1	393	0.00
NH SECURITIES (PVT.) LIMITED	1	3,693	0.01
SHAMALIK BROTHERS (PVT) LTD	1	1,000	0.00
MAPLE LEAF CAPITAL LIMITED	1	1	0.00
HABIB BANK AG ZURICH DEIRA DUBAI	1	175,000	0.30
MULTILINE SECURITIES (PVT.) LIMITED	1	14,210	0.02
FDM CAPITAL SECURITIES (PVT) LIMITED	1	10,000	0.02
FEDERAL BOARD OF REVENUE	1	46,468	0.08
CLIKTRADE LIMITED	1	1	0.00
MUHAMMAD BASHIR KASMANI SECURITIES (PVT.) LIMITED	1	1,870	0.00
NATIONAL INVESTMENT TRUST LIMITED - ADMINISTRATION FUND	1	768,703	1.30
PEARL CAPITAL MANAGEMENT (PRIVATE) LIMITED	1	9	0.00
FIKREES (PVT.) LIMITED	1	1,037	0.00
AYUB CHAUDHRY INVESTMENTS (PVT) LIMITED	1	3,998	0.01
INTERMARKET SECURITIES LIMITED - MF	1	50,000	0.08
SEVEN STAR SECURITIES (PVT.) LTD.	1	500	0.00
DAWOOD EQUITIES LIMITED - MF	1	5,700	0.01
<b>Total</b>	<b>1,950</b>	<b>59,255,985</b>	<b>100.00</b>



## Security Papers LIMITED

### Pattern of Shareholding

As at June 30, 2018

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





## Company Information

### BOARD OF DIRECTORS

#### Non-Executive Directors

##### Chairman

Mr. Muhammad Haroon Rasheed - Nominee - PSPC

##### Directors

Sheikh Mohammad Aijaz Akhtar		- Nominee - IDRO
Dr. Abolghassem Jamshidi		- Nominee - SHAS
Mr. Memet Ozyavuz		- Elected - NIT
Mr. Jamal Nasim	Independent	- Elected - PPCBL
Mr. Muhammad Ayub	Independent	- Elected - SLIC
Mr. Shoaib Mir	Independent	- Nominee - PSPC
Mr. Rauf Ahmad		- Nominee - PSPC
Mr. Naveed Ehtesham		- Nominee - PSPC

#### Executive Director

##### Chief Executive Officer

Mr. Ali Hussain - Nominee - PSPC

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

### BOARD AUDIT COMMITTEE

Mr. Muhammad Ayub	-	Chairman
Non-Executive Director		
Sheikh Mohammad Aijaz Akhtar	-	Member
Non-Executive Director		
Dr. Abolghassem Jamshidi	-	Member
Non-Executive Director		
Mr. Jamal Nasim	-	Member
Non-Executive Director		
Mr. Shoaib Mir	-	Member
Non-Executive Director		
Mr. Naveed Ehtesham	-	Member
Non-Executive Director		
Mr. Babar Aijaz	-	Secretary
D.G.M. (Internal Audit)		



## Company Information

### BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Jamal Nasim Non-Executive Director	- Chairman
Mr. Muhammad Haroon Rasheed Non-Executive Director	- Member
Mr. Ali Hussain Chief Executive Officer	- Member
Mr. Shoaib Mir Non-Executive Director	- Member
Mr. Rauf Ahmad Non-Executive Director	- Member
Qazi Syed Imran Azam General Manager (HR&A)	- Secretary

### BOARD INVESTMENT COMMITTEE

Mr. Muhammad Ayub Non-Executive Director	- Chairman
Mr. Ali Hussain Chief Executive Officer	- Member
Sheikh Mohammad Aijaz Akhtar Non-Executive Director	- Member
Mr. Jamal Nasim Non-Executive Director	- Member
Mr. Shoaib Mir Non-Executive Director	- Member
Mr. Naveed Ehtesham Non-Executive Director	- Member
Mr. Rizwan Ul Haq Khan Chief Financial Officer & Company Secretary	- Secretary

### EXECUTIVE COMMITTEE

#### Chairman:

Mr. Ali Hussain	- Chief Executive Officer
-----------------	---------------------------

#### Members:

Dr. Muhammad Ashraf Butt	- Director Operations
Mr. Rizwan Ul Haq Khan	- Chief Financial Officer & Company Secretary
Mr. Faiz-Ul-Islam	- General Manager (Supply Chain & IT)
Mr. Khalil Ahmed	- General Manager (Engineering & Projects)
Qazi Syed Imran Azam	- General Manager (HR&A)
Mr. Saadat Ali	- D.G.M. (Quality Assurance)
Mr. Muhammad Imran Awan	- D.G.M. (Production, Planning & Control)
Mr. Arshad Amir	- D.G.M. (IMS & R&D)
Mr. Babar Aijaz	- D.G.M. (Internal Audit)
Lt. Col. (R) Kazim Ali	- Security Controller



## Company Information

### BANKERS

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

### AUDITORS

EY Ford Rhodes  
Chartered Accountants

### TAX CONSULTANTS

A. F. Ferguson & Co.  
Chartered Accountants

### LEGAL ADVISORS

Mohsin Tayebaly & Co.  
Advocates & Legal Consultants

### REGISTERED OFFICE

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

### SHARE REGISTRAR

FAMCO Associates (Pvt.) Limited  
8-F, Next to Hotel Faran, Nursery,  
Block-6, P.E.C.H.S., Shahrah-e-Faisal,  
Karachi.  
Tel. No: (+9221) 34380101-5  
Fax No: (+9221) 34380106  
E-mail: [info.shares@famco.com.pk](mailto:info.shares@famco.com.pk)

### FACTORY

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



## Security Papers LIMITED

### Notice of Annual General Meeting

Notice is hereby given that the Fifty-third Annual General Meeting of Security Papers Limited will be held on Friday, 31st August 2018 at 11:00 AM at Hotel Ramada Plaza, Karachi, Star Avenue, Terminal No.1, Jinnah International Airport, Karachi to transact the following business:

#### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 30th June 2018 together with the Directors' and Auditors' Reports thereon.
2. To approve and declare the payment of final cash dividend at the rate of Rs 8/- per share i.e. 80% for the year ended 30 June 2018 as recommended by the Board of Directors.
3. To appoint Auditors for the year 2018-19 and to fix their remuneration.

A notice referred to in sub-section (2) of Section 246 of the Companies Act, 2017 is hereby given to the members that after obtaining consent of the proposed auditors, the Board has recommended the name of KPMG Taseer Hadi & Co., Chartered Accountants as external auditors of the Company in place of retiring auditors EY Ford Rhodes, Chartered Accountants.

By Order of the Board

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

Karachi,  
27 July 2018

#### NOTES:

##### 1. Closure of Share Transfer Books

The Share Transfer Books of the Company will remain closed from 23 August to 31 August 2018 (both days inclusive), when no transfer of shares will be accepted for registration. 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 22, 2018 will be considered in time to determine the above mentioned entitlement to the transferee and to attend and vote at the Meeting.

##### 2. Participation in the Annual General Meeting

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

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

##### A. For Attending the Meeting:

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



## Notice of Annual General Meeting

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

### **B. For Appointing Proxies:**

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

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

As has already been notified from time to time, SECP has directed vide its Notification S.R.O. 831(1)/2012 dated July 5, 2012 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).

In order to comply with the SECP's directives and in terms of Section 243(2)(a) of the Companies Act, 2017, the Company shall be constrained to withhold the Dividend Warrant(s), in case of non availability copy of valid CNIC (for individuals) and National Tax Number (for corporate entity).

Accordingly, shareholders who have not yet submitted copy of their valid CNIC or NTN are once again requested to immediately submit the same to the Company or Share Registrar, M/s. FAMCO Associates (Pvt.) Limited.

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

- (i) Pursuant to the provisions of the Finance Act, 2017 effective July 1, 2017, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

1. Rate of tax deduction for filer of income tax return 15%
2. Rate of tax deduction for non-filers of income tax return 20%

To enable the company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 20% instead of 15%.

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



# Security Papers LIMITED

## Notice of Annual General Meeting

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

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

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

- (iii) As per FBR Circulars C. No. 1 (29) WHT/2006 dated 30 June 2010 and C. No. 1 (43) DG (WHT)/2008- Vol. II -66417-R dated 12 May 2015, the valid exemption certificate is mandatory to claim exemption of withholding tax U/S 150 of the Income Tax Ordinance, 2001 (tax on dividend amount) where the statutory exemption under clause 47B of part - IV of Second Schedule is available. The shareholders who fall in the category mentioned in above clause and want to avail exemption U/S 150 of the Ordinance, must provide valid Tax Exemption Certificate to our Share Registrar before book closure otherwise tax will be deducted on dividend as per applicable rates.
- (iv) For any query/problem/information, the investors may contact the Company Secretary at phone: 021-99248285 and email address [comsec@security-papres.com](mailto:comsec@security-papres.com) and/or FAMCO Associates (Pvt.) Ltd. at phone 021-34380101-5 and email address: [info.shares@famco.com.pk](mailto:info.shares@famco.com.pk)
- (v) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the company or FAMCO Associates (Pvt.) Ltd. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

### 5. Payment of Cash Dividend Electronically (Mandatory)

In accordance with the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed company to pay cash dividend to its shareholder only through electronic mode directly into their bank account designated by the entitled shareholders instead of issuing physical dividend warrants.

SECP has advised in their Circular No. 18 of 2017 dated August 01, 2017 to all listed companies to ensure that with effect from November 01, 2017 (as also provided in the Companies (Distribution of Dividends) Regulations, 2017 (as amended from time to time) cash dividends shall be paid through electronic mode only. Therefore, shareholders are requested to provide the details of their bank mandate specifying: (a) title of account, (b) account number (c) IBAN number (d) bank name and (e) branch name, code and address to the Company or Share Registrar. Those shareholders who hold shares with participants / Central Depository Company of Pakistan (CDC) are advised to provide the same to their concerned participant / CDC.

Please note that as per Section 243(3) of the Companies Act, 2017, listed companies are entitled to withhold payment of dividend, if necessary information is not provided by shareholders.

For the convenience of shareholders e-Dividend Mandate Form is available on Company's website <http://www.security-papers.com>.





## Notice of Annual General Meeting

### 6. Unclaimed / Unpaid Shares and Dividends

In accordance with the provisions of Section 244 of the Companies Act, 2017, any shares issued or dividend declared by the Company, which remain unclaimed or unpaid for a period of three years from the date it is due and payable, the Company shall give ninety days notices to the shareholders to file claim, if no claim is made before the Company by the shareholders, the Company shall proceed to deposit the unclaimed or unpaid Shares / Dividends with the Federal Government in compliance with the Section 244 of the Companies Act, 2017.

In this regard, a Notice dated December 28, 2017 was sent by Registered Post acknowledgement due on the last known addresses of the shareholders to submit their claims within 90 days to the Company. In compliance of Section 244(1)(b) of the Companies Act, 2017 a Final Notice had also been published on 30th March 2018 in two daily newspapers i.e. (i) Business Recorder and (ii) Daily Jang in English and Urdu respectively.

In case no claim is received within the given period from the aforesaid Notice, the Company shall proceed to deposit the unclaimed / unpaid amount with the Federal Government pursuant to the provisions of sub-section (2) of Section 244 of the Companies Act, 2017.

### 7. Change of Address

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

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

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## 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 53rd ANNUAL  
GENERAL MEETING of the Company to be held on Friday, 31 August 2018 at 11:00 AM and at any adjournment  
thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

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

### پروکسی فارم

میں اہم..... از..... بحیثیت سیکورٹی پیپرزمینڈ کے ممبر اور عام حصص یافتہ مطابق سینئر رجسٹر فولیو ای سی ڈی سی اکاؤنٹ نمبر..... مقرر کرتا ہوں..... فولیو ای سی ڈی سی اکاؤنٹ نمبر..... سی این آئی سی نمبر یا پاسپورٹ نمبر..... یا بصورت دیگر..... فولیو ای سی ڈی سی اکاؤنٹ نمبر..... سی این آئی سی نمبر یا پاسپورٹ نمبر..... جو کمپنی کے ممبر بھی ہیں، کو کمپنی کے جمعہ 31 اگست 2018ء کو صبح گیارہ بجے منعقد ہونے والے تریپٹین سالانہ اجلاس میں اپنی جانب سے شرکت اور رائے دی کیلئے اپنا پروکسی۔

2018ء

دستخط مورخہ

گواہی:

1- دستخط

نام

پتہ

سی این آئی سی یا پاسپورٹ نمبر.....

2- دستخط

نام

پتہ

سی این آئی سی یا پاسپورٹ نمبر.....

5/- روپے کا  
موصول ٹکٹ

دستخط.....

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

سی این آئی سی یا پاسپورٹ نمبر.....

ضروری:

- 1- پروکسی فارم ہذا مکمل اور دستخط کے ہمراہ اجلاس کے انعقاد سے کم از کم اڑتالیس (48) گھنٹے قبل کمپنی کے رجسٹر آفس میں جمع کرا دیا جائے۔
- 2- فارم پر نمبر یا اس کا تحریراً مقرر کردہ انٹرنی دستخط کریگا۔ ممبر کارپوریشن ہونے کی صورت میں اس کی مہر فارم پر ثبت کرنی ہوگی۔
- 3- اجلاس میں شرکت اور رائے دی کا اہل ممبر اپنی جانب سے شرکت اور رائے دی کیلئے دوسرے ممبر کو اپنا پروکسی مقرر کر سکتا ہے تاہم کارپوریشن کسی بھی غیر ممبر کو اپنا پروکسی مقرر کر سکتی ہے۔

برائے سی ڈی سی اکاؤنٹ ہولڈرز / کارپوریشن اینٹیلی

مزید براں مندرجہ ذیل شرائط پر عمل کرنا ہوگا:

- (i) پروکسی فارم پر دو افراد کی گواہی ہونی چاہئے جن کے نام، پتے اور سی این آئی سی یا پاسپورٹ نمبر فارم میں درج ہوں۔
- (ii) ممبر اور پروکسی کے سی این آئی سی یا پاسپورٹ کی تصدیق شدہ کاپیاں پروکسی فارم کے ہمراہ منسلک کرنی ہوگی۔
- (iii) پروکسی کو اجلاس کے وقت اپنا اصل سی این آئی سی یا اصل پاسپورٹ پیش کرنا ہوگا۔
- (iv) کارپوریشن اینٹیلی کی صورت میں ڈائریکٹرز کی قرارداد اور آف انٹرنی معدنا مزد فرد کے دستخط کا نمونہ (اگر پہلے فراہم نہ کئے گئے ہوں) پروکسی فارم کے ہمراہ کمپنی کو پیش کرنے ہوں گے۔



*Security Papers*  
LIMITED

OHSAS 18001: 2007, ISO 9001:2015 & ISO 14001:2015 Certified

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