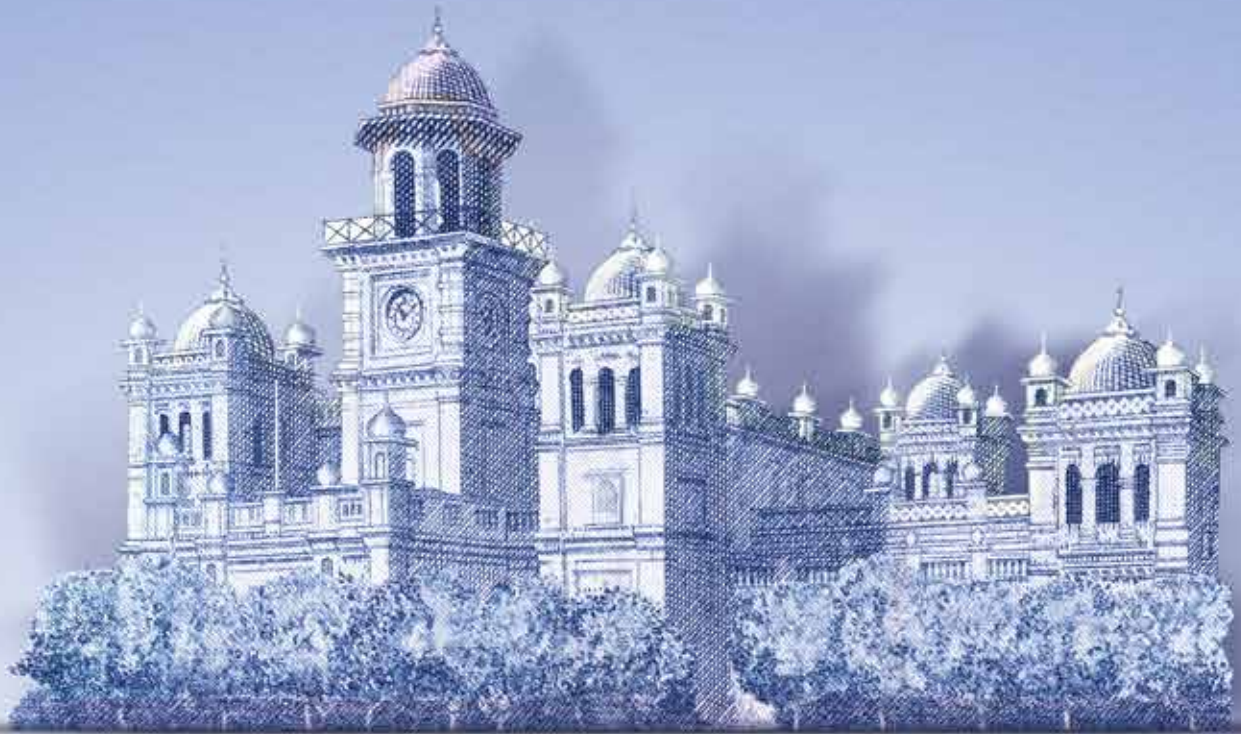


ANNUAL REPORT 2019



Security Papers
LIMITED

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



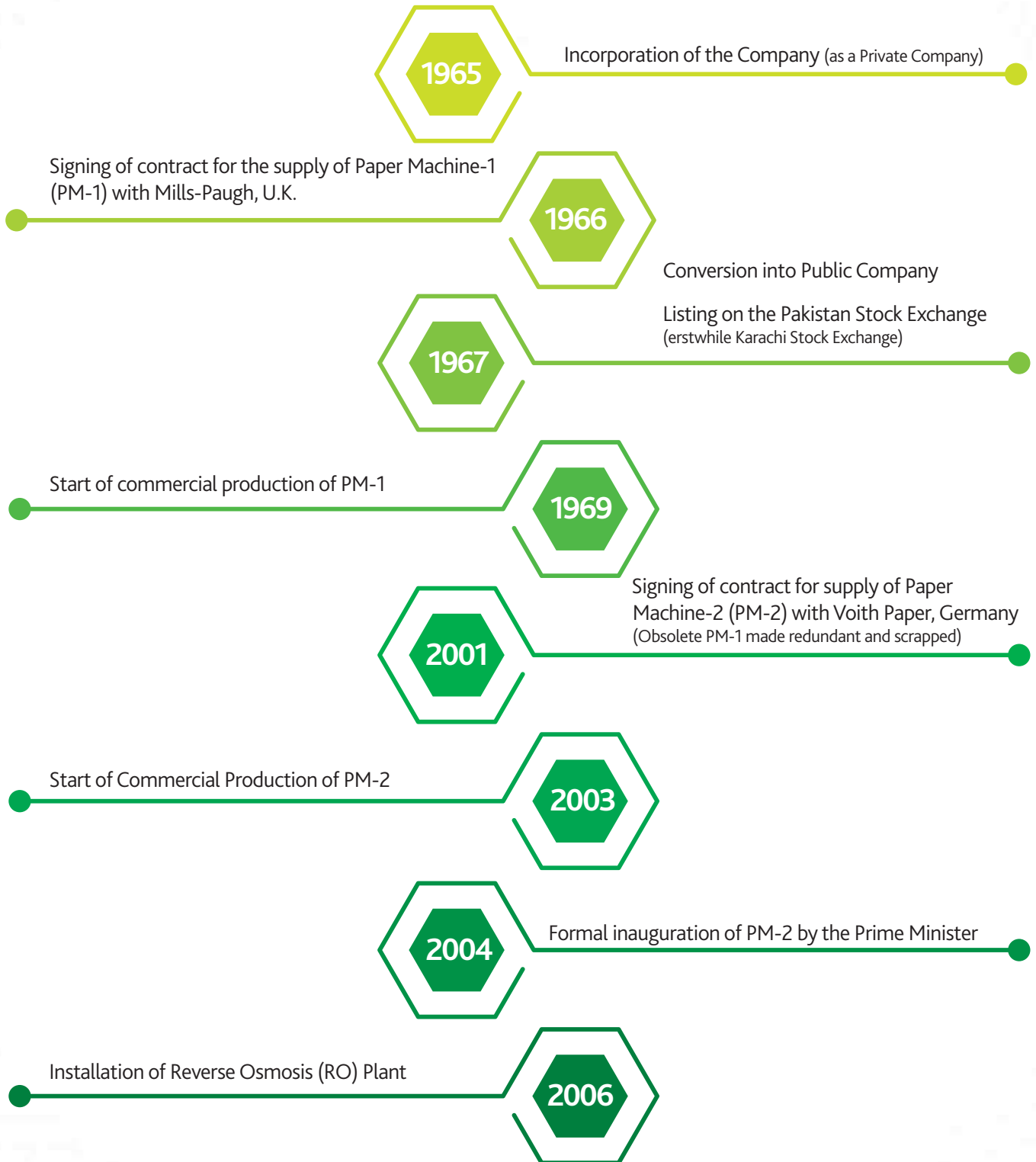


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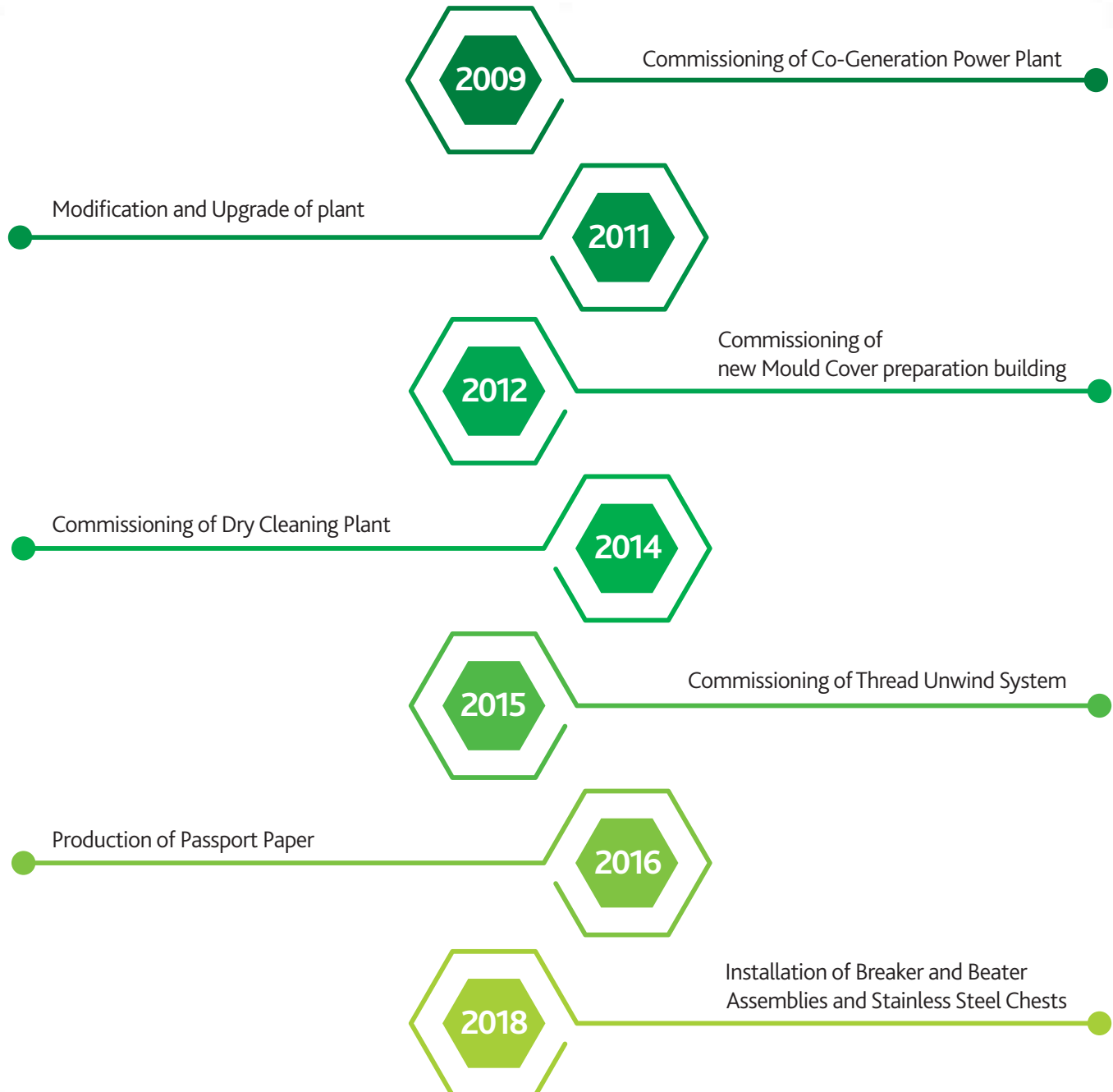


History of Major Events





History of Major Events



CORPORATE AWARDS



34th Corporate Excellence Awards of MAP



The Company Profile

Security Papers Limited (SPL) is a national strategic industrial organization engaged in the business of manufacturing security paper for Banknotes and other Security Paper products such as Prize Bonds, Defense Savings Certificates, Non-Judicial Stamp Papers, Passport Papers, Cheque Book, Certificate for Educational Boards and Degree for universities. Due to its strategic nature of operations, the Company has been classified as category 1A (KPID) Key Point Installation by the Government of Pakistan.

SPL was incorporated in 1965 as a Private Limited Company and became a Public Limited Company in 1967 with the vision to be a recognized and accepted Security Paper producing organization providing the highest quality paper with numerous security features to its customers. The Company started its commercial production in 1969.

The new state-of-the-art Paper Machine (PM-2) started commercial production in 2003. The PM-2 is producing high-quality specialized Banknotes and other Security Papers of international standard with custom-made security features including 3-dimensional tonal variation watermarks and numerous other counterfeit deterrence capabilities.

The production process primarily involves local input of cotton comber and water as raw materials. The Pakistan Security Printing Corporation (Pvt.) Limited (PSPC) is the main customer of SPL. Over the years, the Company has grown substantially and is expanding its production capacities to cater to the ever-growing requirements for security paper products. SPL strives to remain an efficient and low-cost producer of security paper for its customers. To meet current and future technological challenges, SPL has been regularly investing in upgrading its manufacturing facilities to ensure continuous supply of high-quality Banknotes and other Security Papers to its customers.

Being self-reliant, the Company is also saving a substantial amount of foreign exchange, which would have been otherwise required for the import of such sensitive paper. SPL has been gradually enhancing the paper production capacity which has increased from 3,500 tons to 4,000 tons, extendable up to 5,000 tons per annum.

Geographical presence

The geographical presence of the Company is in Karachi, Pakistan, while its customers are located in Karachi, Lahore, Gujranwala, Faisalabad, Islamabad, Peshawar and other major cities of the country.

BOARD OF DIRECTORS



SITTING LEFT TO RIGHT:

DR. MOHAMMAD ASHRAF BUTT
CHIEF EXECUTIVE OFFICER

MR. MUHAMMAD HAROON RASHEED
CHAIRMAN

STANDING LEFT TO RIGHT:

MR. MEMET ÖZYAVUZ
DIRECTOR

SARDAR AHMAD NAWAZ SUKHERA
DIRECTOR

DR. ABOLGHASSEM JAMSHIDI
DIRECTOR



SITTING LEFT TO RIGHT:

MR. JAMAL NASIM
DIRECTOR

SHEIKH MOHAMMAD AIJAZ AKHTAR
DIRECTOR

STANDING LEFT TO RIGHT:

MR. RAUF AHMAD
DIRECTOR

MR. MUHAMMAD AYUB
DIRECTOR

MR. NAVEED EHTESHAM
DIRECTOR

EXECUTIVE COMMITTEE



SITTING :

QAZI SYED IMRAN AZAM
GENERAL MANAGER (IMS & R&D)

STANDING LEFT TO RIGHT:

MR. SAADAT ALI
D.G.M. (QUALITY ASSURANCE)

MR. RIZWAN-UL-HAQ KHAN
CHIEF FINANCIAL OFFICER

MR. FAISAL SAEED KHAN
COMPANY SECRETARY

MR. SHOAIB SIDDIQUI
D.G.M (PRODUCT DIVERSIFICATION)



SITTING LEFT TO RIGHT:

MR. MUHAMMAD IMRAN AWAN
D.G.M. (PRODUCTION, PLANNING & CONTROL)

MR. FAIZ-UL-ISLAM
GENERAL MANAGER (SUPPLY CHAIN & IT)

STANDING LEFT TO RIGHT:

MR. SHAHBAZ ALI
D.G.M. (HR&A)

MR. ARSHAD AMIR
D.G.M. (PRODUCTION)

SYED TANVEER HUSSAIN BUKHARI
GENERAL MANAGER (ENGINEERING)

MR. KHALIL AHMED
GENERAL MANAGER (PROJECTS)





Chairman's Review

Dear Shareholders

It is a matter of great privilege for me to present the Company's Annual Report and Audited Financial Statements for the year ended June 30, 2019 and share with you an update on the performance of Security Papers Limited (SPL).

Business Performance

By the Grace of Allah, the Company has displayed a strong financial performance in a challenging business environment by attaining profit after tax of Rs. 772 Million and making a record sale of Rs. 4,002 Million. To pass on the benefit of this achievement to the shareholders, the Board has proposed a dividend of Rs. 7.25 per share, i.e. 72.5% for the Financial Year 2018-19 for approval of members at the Annual General Meeting to be held on 30th August 2019. This is in addition to the interim cash dividend of Rs. 1 per share, i.e. 10% already paid, making a total cash dividend of Rs. 8.25 per share, i.e. 82.5%.

The aggregate sales increased from Rs. 3,467 Million in the previous year to Rs. 4,002 Million this year, yielding a growth of 15.42%. The Company achieved a sales volume of 3,726 tons Banknote and other Security Papers compared to 3,303 tons last year. Your Company has continued its efforts to expand the product base to achieve economy of scales and optimize the production capacity. Banknote paper sales grew by 19.81% during the year under review due to higher demand from our major customer, Pakistan Security Printing Corporation (Private) Limited.

The current Financial Year was yet another challenging year for the Company. During the year, we faced a number of challenges including rising commodity prices, higher inflation, and depreciation of the Rupee, which continued to exert significant pressure on the overall economy in general and the manufacturing industry in particular. The Board closely monitored the performance of the business with a focus to achieve continued improvement in productivity and efficiency while optimizing cost and processes to ensure sustained growth of the Company. The guidance and timely decisions of the Board contributed immensely in steering the Company in the right direction. This resulted not only in achieving the desired targets, but it also helped the Company in creating new benchmarks, while maintaining its reputation for good governance and provision of steady returns to its shareholders.

During the year under review, the production facilities of the Company were operated at optimum level to meet the high demand for Banknotes and other Security Paper products. The growth-oriented strategy of the Company, based upon identifying potential opportunities and capacity expansions have helped the Company in providing high quality Banknotes and other Security Papers to our customers.

The results of operations have remained steady despite the challenges faced during the current year that witnessed fluctuations in the prices of the cotton comber, a major constituent of the Banknote paper. Further, margins remained relatively flat due to rising costs of imported raw materials, production overheads and inflationary conditions. A combination of cost effectiveness and cost absorption measures helped the Company in managing its profitability.

Board Performance

The Board performed its duties and responsibilities diligently by effectively guiding the Company in its strategic affairs. The Board also played an important role in overseeing the Management's performance and focusing on major risk areas. The Board was fully involved in the budgeting and strategic planning processes. The Board also remained committed to ensure high standards of Corporate Governance to preserve and maintain stakeholder value. All Directors, including Independent Directors, fully participated and contributed in the decision-making process of the Board.

The Company has an independent Internal Audit department and internal audit reports are presented to the Board Audit Committee on a quarterly basis wherein areas for improvement are highlighted.

The Board carried out its self-evaluation and identified potential areas for further improvement in line with global best practices. The main focus remained on strategic growth, business opportunities, risk management, Board composition and providing oversight to the Management.

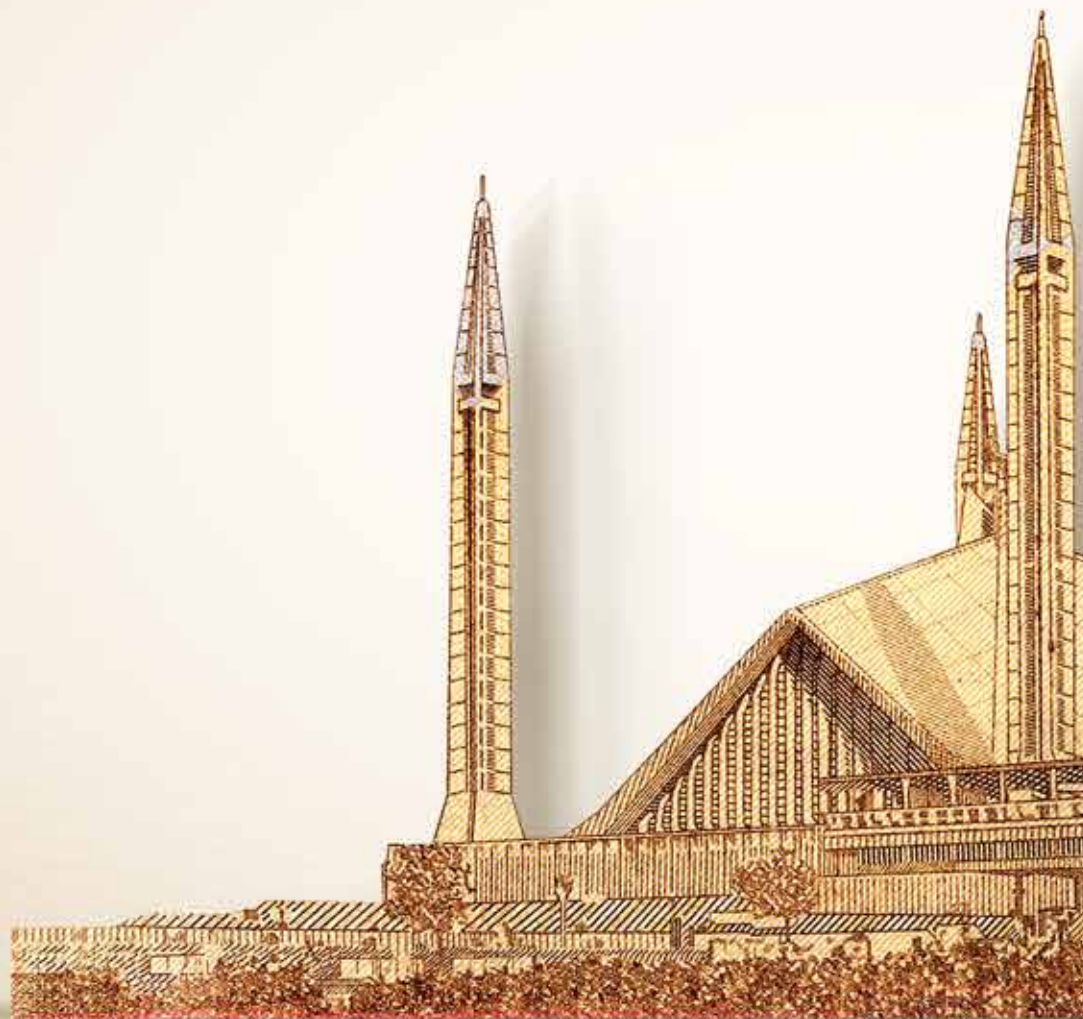
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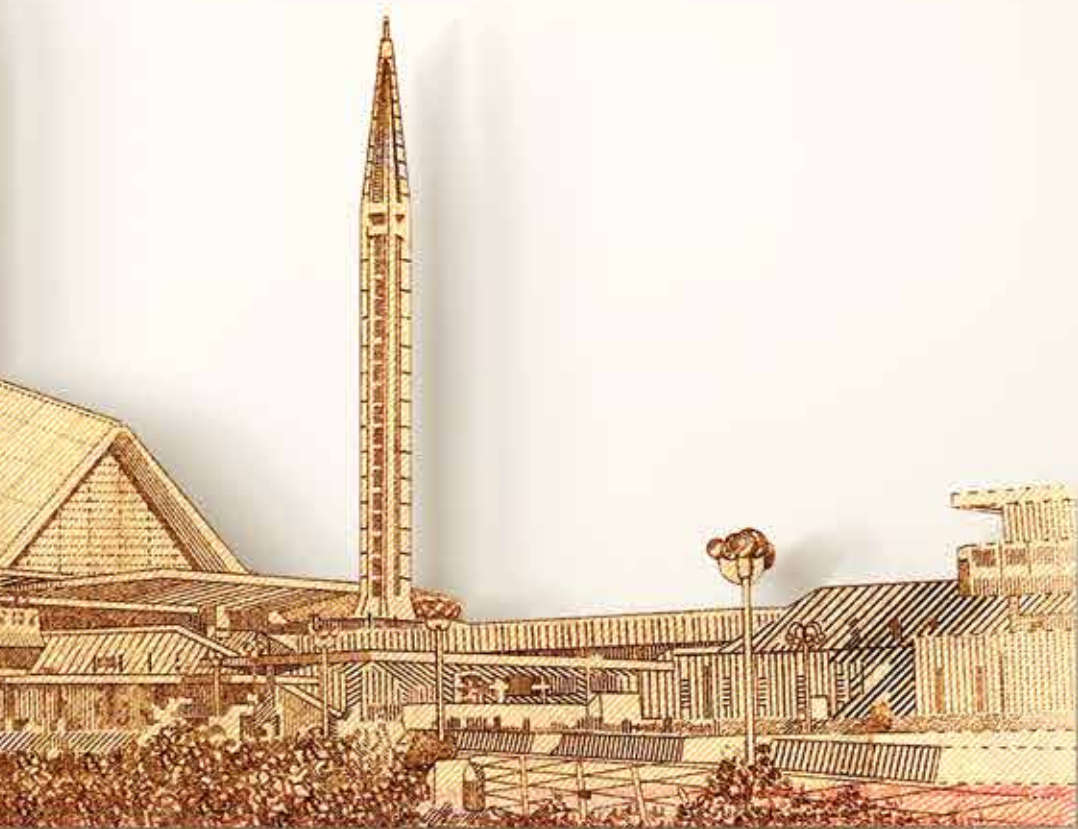
On behalf of the Board, I would like to acknowledge with thanks the contributions made by the Management, Staff Members and Workers in achieving the Company's objectives. I am also thankful to the Board of Directors, Shareholders, Customers, Bankers, Regulatory Authorities and other Stakeholders for their continued support that will undoubtedly bring continual improvement and success for the Company.

MUHAMMAD HAROON RASHEED
Chairman

Dated: 26th July 2019

DIRECTORS' REPORT









Directors' Report

Dear Shareholders

The Directors of the Company are pleased to present their report together with the Audited Financial Statements of the Company for the year ended June 30, 2019.

Summary of Financial Performance

The operating results of the Company for the year ended June 30, 2019 are summarized as follows:

	(Rupees in '000)	
	2019	2018 (Re-stated)
Profit before taxation	1,159,282	886,468
Taxation		
Current - for the year	443,636	346,867
Current - for prior year	118	3,478
	443,754	350,345
Deferred	(56,506)	(34,236)
	387,248	316,109
Profit after taxation	772,034	570,359

Dividends

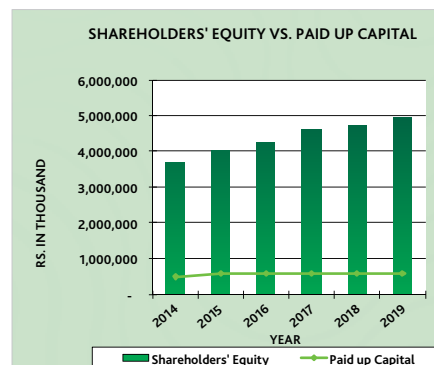
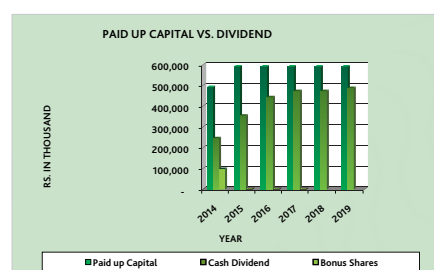
The Board of Directors of the Company has recommended the following appropriations for the FY 2018-19 for approval of members at the Annual General Meeting to be held on August 30, 2019.

Final cash dividend of Rs. 7.25 per share, i.e. 72.5% in addition to the interim cash dividend of Rs. 1 per share, i.e. 10% already paid making a total cash dividend of Rs. 8.25 per share, i.e. 82.5%.

Transfer to Revenue Reserve

Rs. 280 Million (2018: Rs. 264 Million).

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





Directors' Report

Business Review

In a challenging economic environment, the Financial Year 2018-19 was another good year as the Company achieved highest ever top line of Rs. 4,002 Million. The Company posted profit after tax of Rs. 772 Million.

Security Papers Limited (SPL) is committed to enhancing its product base and producing high quality Banknotes and other Security Papers and to be a leader in manufacturing Security Paper products through process excellence and innovation.

SPL strives to be a recognized and accepted Security Paper producing organization by developing state-of-the-art and diversified Security Paper products in a transparent, cost-effective and efficient manner by leveraging core competencies. During the year under review, our major customer, Pakistan Security Printing Corporation (Private) Limited had placed indents for Banknotes and Prize Bond papers, which were about 19% higher than the corresponding period.

The Management remained focused on improvement in operational efficiencies and improving quality of our products and made determined efforts to reduce the cost of doing 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.

Innovation is the driving force behind SPL. We have amassed a huge store of expertise in how to stay ahead of the counterfeiter. Through constant Balancing Modernization and Replacement and addition to capacity in all areas of production, the Company is well poised for the future to take on additional demands for its products as required. The Company is constantly exploring business development opportunities to expand its footprint in other Security documents.

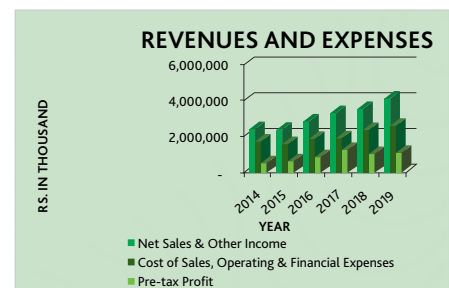
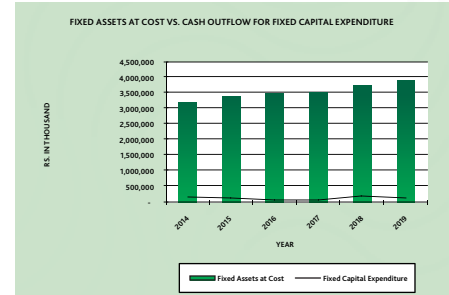
The Directors have been closely monitoring the performance of the business with a focus to achieve continual improvements in productivity, efficiency, and product diversification while optimizing costs and processes to ensure sustainable growth of the Company.

Operational Performance

The sales revenue increased to Rs. 4,002 Million, showing an increase of Rs. 535 Million over the corresponding period. The increase in sales revenue is attributable to higher sales volume and a better product mix.

The Company earned highest-ever gross profit of Rs. 1,585 Million during the year under review as compared to Rs. 1,293 Million in the previous year. The increase in gross profit was mainly attributable to higher sales value and operational efficiencies partly offset by increase in cost of raw materials and production overheads due to inflationary conditions.

Other income increased by Rs. 43 Million during the year under review as compared to the previous year, mainly due to improved profit rates on fixed income securities and better negotiated profit rates on bank placements. Owing to subdued performance of the stock market, no capital gains and/or dividend income was generated on Equity based Mutual Funds investments. During the year under review, the Company has suffered unrealized capital loss of Rs. 246 Million due to decline in net asset value of units of Equity-based Mutual Funds as a result of decline in KSE-100 index from 41,734 to 33,902 level.





Directors' Report

The profit after tax of Rs. 772 Million has been earned for the year under review as compared to Rs. 570 Million during the previous year. The increase in Company's profitability during the year under review was primarily due to higher sales revenue, increase in other income and operational efficiencies.

Production

The Company has achieved the highest ever production of 3,719 tons of Banknotes and other Security Paper products as against 3,273 tons during the same period last year. The Management is committed to meet the customers' demand by optimizing production, bringing operational efficiencies and re-enforcing cost control measures. The Management instituted additional procedures including revival of "Short Former" to enhance productivity, efficiency and quality of paper. This has helped increase the production capacity of the plant by 15%.

The cost of production was kept at optimum level through effective utilization of resources and by minimizing production wastages. The cost prices of imported raw materials increased sharply due to Rupee depreciation. A combination of effective utilization of resources and reduction in production losses helped achieve profitability for the business. The Supply Chain Department team ensured continuous availability of raw materials by working closely with all the vendors.

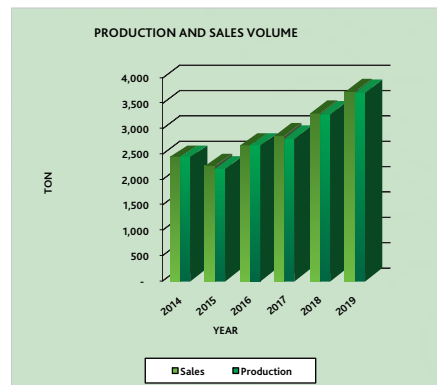
Technical matters were handled well by trained and experienced technicians and engineers. A system of preventive maintenance was in place and all production processes were effectively monitored, corrective actions were taken and preventive measures were planned and implemented.

Sales

During the year under review, our core business of Banknote papers performed very well. All denominations of Banknote papers were sold as per the customer's demand. The Company also generated good business from other Security Paper products. The Company registered increase in net sales of Rs. 535 Million, showing an improvement over the last year. The increase in sales was mainly contributed by Banknote papers. The Company achieved a sales volume of 3,726 tons as against 3,303 tons during the corresponding period, which includes Banknote papers, Prize Bond papers, Passport papers, Non-Judicial papers and Board and Degree papers.

Banknote sales grew by 19.81% during the year under review due to higher demand for Banknote paper. The growth is mainly derived from increase in sales volume. Margins remained flat due to rising costs of imported raw materials, i.e. security thread and chemicals because of Rupee depreciation and higher prices demanded by the local suppliers. A combination of cost reduction and cost control measures helped the Company in managing its profitability.

Other Security Papers mainly include Non-Judicial papers, Prize Bond papers, Passport papers, Educational Degree and Certificate papers. However, margins remained flat due to rising commodity costs and currency depreciation.





Directors' Report

Product Diversification

We have continued our efforts to accelerate the process of expanding business opportunities through additional potential of existing products. Product diversification is achieved by improving the quality of products to expand products related to current business.

Plant Upgrade

The Company continues to invest in resources to pursue an ambitious program of plant upgrade to modernize its production facilities. Operational efficiencies, productivity improvement, and capacity enhancement have been the objectives behind all activities throughout the year. During the year, the following projects were initiated which are in progress:

Waste Water Recycling Plant:

Water is one of the basic inputs for our product. The Management has initiated a capital-intensive water-recycling project, which is now in its execution phase. The project is expected to be completed during the FY 2019-20. The project will lead to recycling of approximately 300,000 gallons water per day and improve compliance of environmental standards.

RO Plant

With the increase in demand for Banknote and other Security Paper products, the Company's water requirements have also increased. The project of RO plant was initiated last year to cater to the increasing water requirements. This project has been completed and is operational.

Gas Generator

In view of the growing demand for Banknotes and Security Paper products, power requirements have also increased. The Management has initiated the procurement of a new gas generator of 1.4 MW capacity. The unit will be operative towards the end of the current financial year.

Chiller & Cooling Towers

To ensure that the Security Papers delivered to customers do not have any printability issue, the controlled environment (temperature and humidity) of the finishing and storage area is an essential requirement. Chiller is an important equipment used in conditioning of the finished paper before delivery to the customer. The existing chiller is 15 years old and hence procurement of a new chiller with allied accessories has been initiated to support the existing chilling capacity.



Directors' Report

Key Financial Indicators

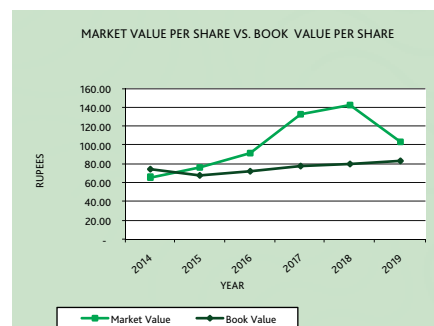
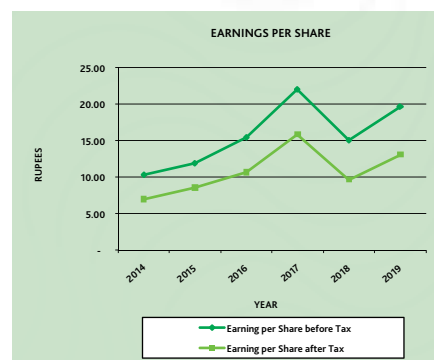
Earnings per Share

The Earnings per Share after taxation is Rs. 13.03 (2018: Rs. 9.63).

Market and Book Value per Share

The book value per share stood at Rs. 83.33 as against Rs. 79.41 in the previous year. Before and after-tax return on equity worked out to be 23.48% and 15.63% as compared to 18.84% and 12.12% in the corresponding period respectively.

The average market price during the year remained at Rs. 102.50 (2018: Rs. 142.75) per share. The market price as of 30 June 2019 was Rs. 92.79 (2018: Rs. 121.02). During the period, the share price of SPL witnessed a high of Rs. 127 per share and a low of Rs. 78 per share. The KSE-100 Index witnessed a high of 45,556 points and a low of 33,166 points during the year. In line with the negative performance of the overall Stock Market, the share price of SPL was also negatively affected.



Long-Term Debt Equity and Current Ratios

The long-term debt-equity and the current ratios of the Company as at June 30, 2019 worked out to 0.00:1 and 3.37:1 (2018: 0.00:1 and 3.94:1) respectively. The current ratio decreased marginally due to decrease in short-term investments.

Cash Flow Management

During the year under review, an amount of Rs. 642 Million was generated from the operating activities of the Company and Rs. 157 Million was received on account of mark-up on investments. The Company made an investment of Rs. 416 Million in Government Securities and Bank Deposits. The Company incurred an amount of Rs. 127 Million on capital expenditure and paid an amount of Rs. 485 Million as dividends to the shareholders.

Principal Activity

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

Risk Management

The purpose and scope of the Company's Risk Management framework is to identify potential risks in advance and analyze them and take precautionary measures to reduce the risks. The Company is proactive in its approach to risk management and undertakes contingency planning in the event that critical risks are realized.

In today's challenging and competitive environment, strategies for mitigating inherent risks in accomplishing the growth plans of the Company are imperative. The common risks inter alia are: Regulations, Business Risk, Technology Obsolescence, Return on Investments, Business Cycle, Increase in Price and Costs, Limited Resources, Retention of Talent etc.

The Company is dependent on the availability of a high-quality cotton comber. Water is one of the main raw materials and its availability is vital for operations. The ongoing pressure on Rupee also carries risk and any further depreciation would have an adverse impact on the bottom-line of the Company.



Directors' Report

In order to mitigate the above risks, the Company's Supply Chain department ensures availability of cotton comber by constantly looking to expand supply base. Further, the Company initiated the project of Reverse Osmosis plant to cater to the increasing water requirements. The Management is committed to further strengthen its risk management capabilities in order to protect and enhance shareholders' value.

Corporate Social Responsibility (CSR)

SPL is committed to playing an active role in supporting and working with its stakeholders for sustainable community and social development of Pakistan. SPL made various contributions during the year to positively impact the underprivileged people nationwide. The Company undertook the following CSR activities during the year under review:



Community Development in Thar

By building upon our continued efforts towards water conservation and community development in the underprivileged area of Thar, we carried forward that practice into FY 2018-19 by installing drinking wells and hand pumps in Thar in collaboration with Sindh Graduates Association. SPL contributed Rs. 2 Million for this initiative.

Healthcare Projects

Ensuing its commitment to supporting quality healthcare projects in the country, SPL contributed Rs. 1.20 Million in the Health Sector by collaborating with Health and Nutrition Development Society, and Sindh Institute of Urology and Transplantation.

Education and Women Empowerment

SPL remains faithful to the cause of promoting Education and Women Empowerment in the country, and continued its support in this regard by donating Rs. 1.10 Million to Roshan Tara School and Collation for Appropriation of Resources & Development (CARD).

Roshan Tara School provides low cost quality education to a deprived and neglected area of Malir, Karachi. CARD is a non-profit organization working for the improvement of human rights, health, education, and women empowerment etc.

Children and Women Welfare

SPL also contributed Rs. 200,000/- to SOS village for Children and Women Welfare besides initiating a project to improve housing infrastructure of the orphanage complex.

The Integrated Management Systems (IMS)

SPL has successfully upgraded its Quality and Environmental Management System through re-certification in accordance with new standards as laid out in ISO 9001:2015 & 14001:2015. The Management has put greater emphasis on mitigating risk by changing the approach from Corrective Action to Preventive Action. The IMS comprises the following management systems:



Directors' Report

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

We focus on time-based efforts for reducing and eliminating unsafe and unhealthy work practices/conditions. The Health & Safety Surveillance Committee has been assigned the task to identify and address weaknesses through risk analysis of the work environment. The Health and Surveillance Committee meets once a week and submits its performance report to the Management on a regular basis.

The use of Personal Protective Equipment by the concerned workforce is essential to promote a risk and injury-free work environment. Standard Operating Procedures have been implemented to make SPL an accident-free factory.

A detailed Occupational Health and Safety "Hazards Identification, Risk Assessment and Controls" has been performed for normal, abnormal and emergency situations to create awareness of hazards and risk.

Besides the upgrade of OHSAS 18001:2007 Management System, planning and efforts are being undertaken to adopt the new version of ISO 45001:2018 Management System in 2019-20.



Occupational Health and Security (ISO 45001)

ISO 45001 has been developed to help organizations improve employee safety, reduce workplace risks and create better, safer working conditions. ISO 45001 is an International Standard that specifies requirements for an Occupational Health and Safety (OH&S) management system, with guidance for its use, to enable an organization to proactively improve its OH&S performance in preventing injury and ill health.

This new standard, which will replace OHSAS 18001, follows the approach of other management systems such as ISO 14001 and ISO 90001 and has an increased emphasis on Management commitment, worker involvement, and risk control.

The Environment Management System (ISO 14001: 2015)

The Company has successfully implemented environmental programs in a comprehensive, systematic, planned and documented manner. It includes implementing policy for environmental protection as well as setting goals for compliance with regulatory standards such as National Environment and Quality Standards and Sindh Environment Protection Agency Standards etc.

The ISO certification on Environment Management System reassures a safe environment for plant operations, workers and their community. We maintain cleanliness and a green environment in and around the factory area to control pollution. The organization is also concerned regarding reduction of waste and efficient use of natural resources (electricity, water, gas, fuels etc.), and keen to follow global best practices to protect the environment.





Directors' Report

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 sector entity, the Management is committed to keep SPL a 'Green Company'.

Quality Management System (ISO 9001:2015)

Keeping in view long-term sustainable development, a Quality Management System has been established and maintained to meet customer requirements. We maintain high standards of quality in the production of Banknotes and other Security Papers. Conformance to the quality parameters and desired specifications is an integral part of our Quality Management System. Maintaining ISO certification is proof of the sustainability of achievements accomplished for the quality services provided to our customers as well as adopting the 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.



Kaizen

Kaizen is based on the belief that everything can be improved and nothing is status quo. Realizing this need and keeping the benefits of application of Kaizen into consideration, the Management introduced the concept. The process involves identifying issues and opportunities, creating solutions and rolling them out – and then cycling through the process again for other issues or problems that were inadequately addressed. Orientation sessions as well as a few workshops have been arranged for the Kaizen Circle teams who would further disseminate the learnings among their team members including front line supervisors, staff, and workers.



Directors' Report



such as Employee of the Quarter Award, Innovative Ideas Scheme and Service Recognition Award to encourage a constructive behavior and develop healthy competition amongst all employees. SPL is an equal opportunity employer and encourages participation of a large number of female workforce in the Company's growth and development. To recognize the contribution of its female employees, the Company also celebrated International Women's Day in its true spirit. The Company also organized Eid-e-Milaad-Un-Nabi (S.A.W.W.).

Human Resource (HR)

The Company's Human Resource department's activities are focused towards building talent for future. The HR department strives to attract, develop, motivate and retain the most talented and dedicated employees who are committed to ensure the Company's success. The department is responsible to manage the numerous needs of Company employees, as well as handling employee relations, payroll, benefits, and training. The Human Resources department helps in maximizing the efficiency of the Company.

The HR department is also responsible for the strategic management, workforce planning, training & development and compensation & benefits of employees. During the year, the HR department has built a culture of rewarding extraordinary performance through initiating reward & recognition programs,

SPL prohibits discrimination and harassment of any kind. The Company recognizes gender equality and the empowerment of women. The Company supports efforts to accelerate progress towards women's full and effective participation and equal opportunities for leadership at all levels of decision-making.



Employment of Special Persons

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

Statement of Ethical Practices

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

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

Directors' Report

Internal Audit

SPL has an independent Internal Audit function. The Head of Internal Audit functionally reports to the Board Audit Committee (BAC). Annual internal audit plans are prepared on the basis of risk assessment to BAC for approval.

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



Internal Financial Controls

The Board has established a system of internal control and formulated policies for ensuring efficient conduct of its business for safeguarding the Company's assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial disclosures.

The Board Audit Committee actively reviews the adequacy and effectiveness of the internal control system and suggests improvements to strengthen the same. It also reviews the quarterly Internal Audit Reports. The system of internal control is sound in design for ensuring achievement of the Company's objectives, operational effectiveness, efficiency, reliable financial reporting and compliance with Laws and Regulations.

Business Continuity Plan (BCP)

The Company has a Business Continuity Planning Committee, which is mandated to develop and implement a comprehensive BCP Manual based on Enterprise Risk Assessment. Continuous risk assessment and management lowers the chances of disruption and assesses the potential impact of disruptions when they occur. The Company takes keen interest in business continuity and has the following measures in place to ensure smooth working in case of any disruptive events:

- Comprehensive fire prevention system accomplished through mechanical installations as well as frequent trainings of all staff;
- Backups of accounting and Management Information System data are taken regularly and stored in a safe location;
- Adequate insurance arrangements have been made to safeguard against any loss of man or material resulting from natural or man made threats;
- Comprehensive and state-of-the-art security system employing human and electronic resources, to monitor activity within and outside the factory premises;
- Succession planning has been performed to ensure continued efficient and effective operations regardless of changing composition of management positions.



Directors' Report

Business Process Re-Engineering (BPR)

SPL continues to pursue Business Process Re-Engineering (BPR) with a view to examine and redesign business processes and workflows to achieve productivity and efficiency. BPR involves fundamental rethinking and radical redesign of business processes to achieve improvements in measures of performance such as cost, quality, service and speed. During the year under review, Business Process Re-Engineering efforts resulted in revival of the "Short Former", an essential component of the Paper Machine-2, which resulted in enhancement of paper machine speed, productivity and improvement in quality of paper. A cross-function team consisting of technical resources for various departments was formulated to revive the "Short Former" which had become non-operational many years ago. The team has managed to redesign and manufacture some of the most critical components of the equipment and has made it operational.

Research & Development (R&D)

To meet future challenges, we are constantly searching for areas of improvement. To achieve this end, we are continually engaged in the balancing, modernization and replacement of our plant. We feel that research and development activities are the backbone for attaining sustainability in growth. Efforts are already underway to reduce process and material losses by continuous improvement in testing and processing methodology, not only to increase plant efficiency but also maximize customer satisfaction. The R&D team is currently engaged in development of new Security Paper products and reduction in cost of production.

Management Information Systems

Management Information systems are developed to support the Company's long-term objectives and are managed by a professionally staffed team, which carried out notable enhancements during the year under review. The Company is fast moving ahead towards a paperless environment. Various steps have been taken to improve IT infrastructure with a view to increase operational efficiency. Information Technology introduced multiple innovative projects in 2018-19 and provided the Company with state-of-the-art information system solutions, as well as contributed in increasing the overall efficiency of the Company.

During the year, the IT department completed multiple software application projects including Production module, Engineering module, Medical Claim module, Real-time Alerts and Notifications via Email/SMS. The Paperless Environment Project was a major success of the IT department by implementing an Intranet Portal, which enables internal departments to speed-up operational activities online.

Material Changes and Commitments

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

Financial Statements

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





Directors' Report

Related Party Transactions

All the related party transactions are entered on arm's length basis in the ordinary course of business and are in compliance with the applicable provisions of the Companies Act, 2017. There are no materially significant related party transactions made by the Company with Directors or Key Managerial Personnel etc. which may have potential conflict with the interest of the Company at large or which warrants the approval of the shareholders.

All related party transactions during the Financial Year 2018-19 were placed before the Board Audit Committee (BAC) and the Board for their review and approval. These transactions were reviewed by the BAC 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 Directors confirm compliance with the Corporate and Financial Reporting Framework of the Securities and Exchange Commission of Pakistan and Code of Corporate Governance. The Financial Statements, prepared by the Management of the Company, fairly present its state of affairs, the results of its operations, cash flows and changes in equity. The Company has maintained proper books of accounts. Appropriate accounting policies have been consistently applied in preparation of the financial statements. International Financial Reporting Standards, as applicable in Pakistan, have been duly followed in preparation of the financial statements.

There has been no material departure from the best practices of Corporate Governance, as detailed in the Regulations of Rule Book of Pakistan Stock Exchange. The system of internal control is sound in design and has been effectively implemented and monitored. There is no doubt about the Company's ability to continue as a going concern. A summary of key operating and financial data of the Company is annexed to this report.



Compliance with the Code of Corporate Governance

The "Statement of Compliance with the Code of Corporate Governance" (CCG) is annexed (Annexed Page No. 95).

Pattern of Shareholding

A statement showing the pattern of shareholding as at June 30, 2019 required under section 227 (2) (f) of the Companies Act, 2017 is annexed to this report.

Auditors

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

As suggested by the Board Audit Committee, the Board recommended the appointment of KPMG Taseer Hadi & Co., Chartered Accountants as auditors of the Company for the year 2019-20.



Directors' Report

Board and Committees Changes

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

Sardar Ahmad Nawaz Sukhera, Independent - Non-Executive Director joined the Board in place of Mr. Mohammad Younus Dagha. (Earlier, Mr. Mohammad Younus Dagha had joined the Board in place of Mr. Shoaib Mir).

Dr. Mohammad Ashraf Butt, Executive Director joined the Board as nominee of Pakistan Security Printing Corporation (Pvt.) Limited in place of Mr. Ali Hussain.

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 | - | Not applicable 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 |
| Dr. Mohammad Ashraf Butt | - | Director/Chief Executive |
| Mr. Jamal Nasim | - | Director - Independent |
| Mr. Muhammad Ayub | - | Director - Independent |
| Sardar Ahmad Nawaz Sukhera | - | Director - Independent |
| Sheikh Mohammad Aijaz Akhtar | - | Director |
| Dr. Abolghassem Jamshidi | - | Director |
| Mr. Memet Ozyavuz | - | Director |
| Mr. Rauf Ahmad | - | Director |
| Mr. Naveed Ehtesham | - | Director |



Directors' Report

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

- Board Audit Committee (BAC)

Mr. Jamal Nasim	-	Chairman (Independent)
Sheikh Mohammad Aijaz Akhtar	-	Member
Dr. Abolghassem Jamshidi	-	Member
Sardar Ahmad Nawaz Sukhera	-	Member
Mr. Muhammad Ayub	-	Member
Mr. Naveed Ehtesham	-	Member

- Board Human Resource and Remuneration Committee (BHRC)

Mr. Jamal Nasim	-	Chairman (Independent)
Mr. Muhammad Haroon Rasheed	-	Member
Dr. Mohammad Ashraf Butt	-	Member
Sheikh Mohammad Aijaz Akhtar	-	Member
Mr. Rauf Ahmad	-	Member

- Board Investment and Risk Management Committee (BIRC)

Sardar Ahmad Nawaz Sukhera		Chairman (Independent)
Dr. Mohammad Ashraf Butt	-	Member
Mr. Muhammad Ayub	-	Member
Dr. Abolghassem Jamshidi	-	Member
Mr. Naveed Ehtesham	-	Member

- Board Project/Strategic Committee (BPSC)

Dr. Mohammad Ashraf Butt		Chairman
Mr. Muhammad Haroon Rasheed	-	Member
Sardar Ahmad Nawaz Sukhera	-	Member
Mr. Muhammad Ayub	-	Member
Mr. Naveed Ehtesham	-	Member
Mr. Rauf Ahmad	-	Member

- Board Procurement Committee (BPC)

Mr. Jamal Nasim	-	Chairman (Independent)
Mr. Muhammad Haroon Rasheed	-	Member
Dr. Mohammad Ashraf Butt	-	Member
Dr. Abolghassem Jamshidi	-	Member
Mr. Rauf Ahmad	-	Member



Directors' Report

Directors Remuneration

All Directors of the Company are Non-Executive except the Chief Executive Officer. The remuneration of the Non-Executive Directors for attending Board and its Committees meetings is determined by the Company in the General Meeting. The remuneration of the Directors is determined on the basis of prevailing industry trends and business practices. The detail of remuneration paid to Directors is given in Note 30 to the Financial Statements.

Performance Evaluation of Board of Directors

The evaluation of the Board's role of oversight and its effectiveness is a continual process, which is appraised by the Board itself. The core areas of focus are:

- Alignment of corporate goals and objectives with the vision and mission of the Company;
- Strategy formulation and planning for sustainable operation;
- The Board's independence 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 No. 10).

Strategic Plan

The strategic planning process confirms that the targeted results can be achieved and establishes robust performance indicators, which can be used to evaluate departments. The business agenda is determined by the strategy which is revised and updated continuously, setting out targets for financial returns and identifying and prioritizing improvement opportunities to deliver those targets.

The Board, on an annual basis, approves a detailed financial plan which also incorporates the business strategy. Progress against the plan is reviewed internally by the management on a periodical basis.



Contribution to the National Exchequer

During the year under review, the Company contributed an amount of Rs. 1,152 Million to the national exchequer on account of direct and indirect taxes and levies as compared to Rs. 964 Million during the corresponding period. In addition, the Company has also made foreign exchange savings of US \$30 Million (approx.) through import substitution during the year as compared to US \$29 Million in the corresponding period.

Directors' Report

Energy Conservation

The Company is concerned to reduce the consumption of energy to bridge the gap between energy supply and its increasing demand. During the year under review, the Company has taken a number of initiatives to conserve energy. Some of these are:

- Arrangement of direct fired absorption chiller using frequency-controlled drive fans consuming less power as compared to conventional drives at existing chiller.
- Conventional electric motors in the pulp-making area have been replaced with highly efficient motors driven by variable frequency drives. In addition, 80% of the installed motor drives at plant are now inverter-based which consume less energy as compared to conventional star-delta motors. Heat insulation is provided in steam lines and tanks to avoid heat losses.
- Energy audit was conducted and based on recommendations; we replaced all conventional lights with LED lights. Employees are encouraged to switch off lighting, computer systems, electronic equipments and air-conditioners when not in use.

Corporate Excellence Award



Security Paper Limited has won the MAP's 34th 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 Awards (six times running) and 31st to 34th Awards of the MAP. This is the tenth time the Company has been recognized in this category since the inception of this award in 1982.

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

Environmental Excellence Award 2019

The Annual Environmental Excellence Award is the benchmark for environmental standards in Pakistan and is exclusively designed to recognize, appreciate and promote the organizations that made outstanding contributions towards sustainable development, controlling all kinds of emissions, wastes and pollutions, and protecting the overall environment of the country and region. National Forum for Environment and Health has conferred the 16th Annual Environment Excellence Award 2019 upon Security Papers Limited. The distinguished "Panel of Jury" has unanimously decided to confer the award after thorough scrutiny and assessment of documents and testimonials pertaining to the effective implementation of environment management systems and policies of SPL.





Directors' Report

Forward Looking Information

The economy continues to show signs of weakness owing to Rupee depreciation, adverse macroeconomics indicators and rising energy costs. In today's competitive landscape, the Company is continuously gearing up its business to meet the challenges that lie ahead. The Company remains strongly focused on innovations and opportunities in a challenging macroeconomic, political, and social environment to improve productivity and enhance shareholders' value. 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 benefit our shareholders, employees and customers.

We continue to focus on innovations, increased customer focus and a strong performance culture within the organization. Our people remain crucial for the continued growth of the business.

Acknowledgement

On behalf of the Board, we wish to place on record appreciation for the valuable contribution made by the Management, Staff and Workers in achieving the Company's objectives. We are also thankful to the shareholders, customers and other stakeholders for their support that will bring continued improvement and success to the Company.

On behalf of the Board of Directors

Dr. Mohammad Ashraf Butt
Chief Executive Officer

Jamal Nasim
Director

Karachi
Dated: July 26, 2019

BOARD MEETING IN PROGRESS





ڈائریکٹرز رپورٹ

سال ختمہ 30 جون 2019 کمپنی کی آڈیٹڈ فنانشل اسٹیٹمنٹس کی رپورٹ کمپنی کے ڈائریکٹرز پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

مالیاتی نتائج

سال ختمہ 30 جون 2019 تک کمپنی کے آپریٹنگ نتائج کا خلاصہ درج ذیل ہے:

2018 (ری۔ اسٹیٹڈ)

2019

(000 روپے میں)

886,468

1,159,282

ٹیکس سے پہلے منافع
ٹیکس

346,867

443,636

کرنٹ۔ برائے موجودہ سال

3,478

118

کرنٹ۔ برائے گزشتہ سال

350,345

443,754

ڈیفرڈ

(34,236)

(56,506)

316,109

387,248

570,359

772,034

ٹیکس کے بعد منافع

ڈیویڈنڈز

مالیاتی سال 2018-19 کیلئے کمپنی کے بورڈ آف ڈائریکٹرز نے درج ذیل تجاویز ممبران کی منظوری کیلئے 30 اگست 2019 کو منعقد سالانہ اجلاس عام میں دیں۔
7.25/- روپے فی شیئر جیسا کہ 72.5% کا حتمی کیش ڈیویڈنڈ برائے اختتامی سال 30 جون 2019 ڈیکلیئر کیا گیا ہے۔ یہ انٹرم کیش ڈیویڈنڈ میں اضافے کے علاوہ ہے جو کہ 1.00 روپے یعنی 10% فی شیئر کے حساب سے پہلے ہی ادا کیا جا چکا ہے جو 8.25 روپے جو کہ کل 82.5% فی شیئر بنتا ہے۔

ریونیوریز روکارٹرانسفر

280 ملین روپے (2018: 264 ملین روپے)

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



بزنس ریویو

مالیاتی سال 2018-19 کے دوران بلند ترین سیل 4,002 ملین روپے ایک بار پھر سے اچھی کارکردگی کے تحت مسابقتی کاروباری ماحول میں ریکارڈ کی گئی۔ کمپنی کا ٹیکس کے بعد منافع 772 ملین روپے تھا۔ سیکیورٹی پیپرزمیٹڈ (ایس پی ایل) اپنے پروڈکٹس میں اضافہ کرنے کے ساتھ اعلیٰ کوالٹی کے بینک نوٹ اور دیگر سیکیورٹی پیپر پیداوار کرنے کیلئے مستعد ہے اور اعلیٰ معیار اور اختراع کے ذریعے سیکیورٹی پیپر کی مینوفیکچرنگ میں نمایاں مقام رکھتا ہے۔

سیکیورٹی پیپرزمیٹڈ (ایس پی ایل) اپنی پروڈکٹ کا معیار بڑھانے کیلئے پرعزم ہے جس کیلئے ہم بینک نوٹ اور دیگر سیکیورٹی پیپر کی کوالٹی میں جدیدیت اور نئے پن کے ذریعے اضافہ کر کے سیکیورٹی پیپر پروڈکٹس کی مینوفیکچرنگ میں نمایاں مقام حاصل کرنے کیلئے کوشاں ہے۔

ایس پی ایل ایک سیکیورٹی پیپر بنانے والے ادارے کے طور پر اپنی پہچان رکھتا ہے جو اعلیٰ پیمانے کی مختلف سیکیورٹی پیپر پروڈکٹس شفافیت، موثر لاگت اور اچھی سرمایہ کاری کے ساتھ بناتی ہے۔ تجزیہ کئے جانے والے سال کے دوران ہمارے اہم صارف، پاکستان سیکیورٹی پرنٹنگ کارپوریشن (پرائیوٹ) لمیٹڈ نے بینک نوٹ اور پرائز بونڈ پیپر بنانے کیلئے اچھے Indent دیئے ہیں جو کہ متذکرہ عرصے کے دوران گزشتہ سے 19% زیادہ ہے۔

مینجمنٹ اپنی پروڈکٹس کی کوالٹی بڑھانے کیلئے اقدامات اٹھا رہی ہے اور کاروباری لاگت کم کرنے کی کاوشیں بھی کر رہی ہے۔ کمپنی 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، پروڈکٹ وسیع کرنا اور اچھی فنانشل مینجمنٹ کی پلاننگ اور اطلاق پر توجہ دی گئی ہے۔

اختراع کرنا ایس پی ایل کے نمائندگان کو متحرک رکھتا ہے۔ ہمارے پاس جعل سازی سے نمٹنے کیلئے وسیع پیمانے پر ماہرین موجود ہیں۔ مستقل جدت اور تبدیلی (بی ایم آر) اور پروڈکشن کے شعبے میں استعداد کے اضافے کے ساتھ کمپنی جب مطلوب ہو مستقبل میں آنے والی اپنی پروڈکٹس سے متعلق اضافی طلب پورا کرنے کیلئے تیار ہے۔ کمپنی مستقل بنیاد پر دیگر سیکیورٹی دستاویزات کے ضمن میں کاروبار کی نئی راہیں تلاش کرنے میں سرگرم عمل بھی ہے۔ کمپنی کے ڈائریکٹرز اور مینجمنٹ پیداوار میں بہتری اور افادیت میں اضافے کیلئے کمپنی کی مستحکم ترقی کو مد نظر رکھتے ہوئے مسلسل کارکردگی کی نگرانی کر رہے ہیں۔

آپریشنل پرفارمنس

متذکرہ عرصے میں سیلز کی آمدنی میں 4,002 روپے ملین کا اضافہ ہوا جس میں 535 ملین روپے کا اضافہ دیکھنے میں آیا۔ اس سال سیلز کی آمدنی میں اضافے کا سبب اچھی سیلز کا حجم اور بہتر پروڈکٹس مکس ہے۔

گزشتہ سال 1,293 روپے ملین مجموعی منافع کے مقابلے میں جائزہ لینے والے سال کے دوران 1585 ملین روپے کا بلند ترین اضافہ دیکھنے میں آیا۔ مجموعی منافع میں یہ اضافہ بلند سیلز کا حجم اور افراط زر کی صورت حال کے باعث پروڈکشن اور ہیڈز اور خام مال کی لاگت میں اضافے و آپریشنل کارکردگی میں جزوی آفسٹ کی وجہ سے ہوا۔

جائزہ لینے والے سال کے دوران گزشتہ سال کے مقابلے میں دیگر آمدنی میں 43 ملین روپے کا اضافہ فلسڈ اکنم سیکورٹیز پر بہتر پرافٹ ریٹس اور بینک پلیسمنٹس پر بہتر گفت و شنید یافتہ پرافٹس ریٹس کے باعث ہوا۔ اسٹاک مارکیٹ کی بری کارکردگی کے سبب اکیوٹی اور اکیوٹی سے متعلق میچول فنڈز انویسٹمنٹس میں نہ سرمایہ آیا اور/یا نہ ڈیویڈنڈ پر کوئی آمدنی ہوئی۔ جائزہ لینے والے سال کے دوران اکیوٹی بیسڈ میچول فنڈز کے یونٹس کی نیٹ اثاثوں کی مالیت میں کمی ہوئی جس کی وجہ سے کمپنی کو غیر متوقع 246 ملین روپے کا نقصان ہوا جو KSE-100 انڈیکس 41,734 تا 33,902 لیول کا نتیجہ تھا۔

گزشتہ سال 570 ملین روپے منافع کے مقابلے میں جائزہ لینے والے سال میں ٹیکس کے بعد منافع 772 ملین روپے رہا۔ جائزہ لینے والے سال کے دوران اس سال کمپنی کے منافع میں اضافے کی وجہ بلند سیل کا منافع، دیگر آمدنی اور آپریشنل کارکردگی میں اضافہ ہے۔



پروڈکشن

کمپنی نے گزشتہ سال اسی مدت کے دوران دیگر سیکورٹی پیپر پراڈکٹس 3,273 ٹن کے مقابلے میں اب تک کے سب سے زیادہ ریکارڈ 3,719 ٹن بینک نوٹ بنائے۔ مینجمنٹ نے صارفین کی طلب پوری کرنے کیلئے پروڈکشن کی اصلاح کیلئے آپریشنل کارکردگی میں اضافہ کیا اور لاگت کو کم کرنے کے اقدامات کا نفاذ کیا۔ مینجمنٹ نے اضافی طریقوں پر عمل کرایا جن میں "شارٹ فارم" کی تجدید سے لے کر پیداوار میں اضافہ، پیپر کی کارکردگی اور کوالٹی بڑھانا شامل ہیں۔ اس طرح سے پلانٹ کی پیداواری استعداد میں 15% تک اضافہ کرنے میں مدد ملی۔

وسائل کے بہتر استعمال اور پروڈکشن کے ضیاع کو گھٹا کر پروڈکشن کی لاگت کو کم کیا گیا ہے۔ امپورٹڈ خام مال کی قیمت روپے کی قدر میں کمی کے باعث بڑھ گئی ہے۔ وسائل کے بہتر استعمال اور پروڈکشن کے نقصانات کو کم کر کے کاروبار میں نفع ملا ہے۔ سپلائی چین کی ٹیم نے وینڈرز کے ساتھ کام کرتے ہوئے خام مال کی فراہمی کو یقینی بنائے رکھا۔

تکنیکی معاملات اعلیٰ تربیت یافتہ انجینئرز اور ٹیکنیشنز کے سپرد تھے۔ قبل از وقت احتیاط 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

جائزہ لینے جانے والے سال کے دوران ہمارے اہم کاروبار بینک نوٹ پیپر نے بہت اچھی کارکردگی دکھائی۔ صارف کی جانب سے مطلوب بینک نوٹ پیپر کی تمام اقسام کی فروخت کی گئی۔ گزشتہ سال کے مقابلے میں کمپنی کی ریکارڈ سیل بڑھ کر 535 ملین روپے پر پہنچ گئی۔ سیل میں اضافہ بینک نوٹ پیپر کی سیل کے باعث تھا۔ کمپنی نے 3303 ٹن کے عوض گزشتہ سال کے مقابلے میں اس سال 3,726 ٹن کے سیل کے ساتھ حجم میں اضافہ کیا جس میں بینک نوٹ پیپر، پرائز بونڈ پیپر، پاسپورٹ پیپر، نان جوڈیشیل پیپر، بورڈ اور ڈگری پیپر وغیرہ شامل ہیں۔

اس سال بینک نوٹ سیل میں 19.81% کا اضافہ ہوا۔ سیل میں اضافہ فروخت کی قیمت بڑھنے اور فروخت کے حجم میں اضافے کی وجہ سے ہوا۔ مارجن پر خام مال جیسا کہ سیکورٹی تھریڈ اور کیمیکلز، روپے کی قدر کی کمی اور مقامی سپلائرز کی جانب سے زیادہ قیمتوں کی طلب کے سبب فلیٹ رہے۔ لاگت کی کمی اور لاگت کو کنٹرول میں رکھنے والے اقدامات نے کاروباری منافع کے حصول میں مدد دی۔

دیگر سیکورٹی پیپر میں نان جوڈیشیل پیپر، پرائز بانڈ پیپر، پاسپورٹ پیپر، ایجوکیشنل ڈگری اور سرٹیفکیٹ کے پیپر شامل ہیں۔ مزید براں مارجن پر اشیاء کی بڑھتی قیمتوں اور کرنسی کی قدر میں کمی کے سبب فلیٹ رہے۔

پروڈکٹ بڑھانا

موجودہ پروڈکٹس میں اضافے کیلئے ہماری جانب سے اپنے کاروبار کو وسعت دینے کی غرض سے کارروائیاں کی گئیں۔ پروڈکٹ کی وسعت کیلئے پروڈکٹس کی کوالٹی بڑھائی گئی جو کہ موجودہ کاروبار سے متعلق تھی۔

پلانٹ اپ گریڈ کرنا

پروڈکشن کی سہولیات کی جدیدیت کیلئے کمپنی مسلسل پلانٹ اپ گریڈ کے ایک حوصلہ افزاء پروگرام کیلئے اپنے وسائل کا استعمال کر رہی ہے۔ پورے سال میں ان تمام سرگرمیوں کے پیچھے آپریشنل استعداد میں اضافہ، پیداوار کی بہتری اور استعداد بڑھانے کے مقاصد کا فرما تھے۔ سال کے دوران درج ذیل پروڈیکٹس کا کامیابی کے ساتھ آغاز کیا گیا:



ویسٹ واٹرری سائیکلنگ پلانٹ

پانی ہماری پروڈکٹ میں استعمال ہونے والے بنیادی عنصر میں سے ایک ہے۔ مینجمنٹ نے پانی کی ری سائیکلنگ کے پروجیکٹ میں بھاری سرمایہ کاری کی اب یہ پروجیکٹ تکمیل کے مرحلے پر ہے۔ یہ پروجیکٹ مالیاتی سال 2019-20 کے دوران مکمل ہو جائے گا۔ پروجیکٹ کے ذریعے 300,000 گیلن پانی فی دن ماحولیاتی معیار کے مطابق ری سائیکل کیا جائے گا۔

آراو پلانٹ

بینک نوٹ اور دیگر سیکیورٹی پیپرز کی طلب میں اضافے کے سبب پانی کی ضرورت بھی بڑھ گئی تھی اس لئے آراو پلانٹ کا پروجیکٹ گزشتہ سال شروع کیا گیا ہے تاکہ پانی کی بڑھتی ضرورت کو پورا کیا جاسکے۔ یہ پروجیکٹ مکمل ہو چکا ہے اور کام کر رہا ہے۔

گیس جزیئر

بینک نوٹ اور دیگر سیکیورٹی پیپرز کی طلب میں اضافے کے سبب بجلی کی طلب میں بھی اضافہ ہوا ہے اس لئے مینجمنٹ کی جانب سے 1.4 میگا واٹ کپیسٹی کا نیا گیس جزیئر خریدنے کا آغاز کیا گیا۔ موجودہ مالیاتی سال کے آخر تک یونٹ کام کرنے لگے گا۔

چلرز اور کولنگ ٹاورز

سیکیورٹی پیپرز کی بغیر کسی پرنٹ کے مسئلے کے فراہمی کیلئے فنشنگ اور اسٹوریج ایریا میں ایک کنزولڈ انونرمنٹ (درجہ حرارت اور حدت) ایک اہم ضرورت ہے۔ چلر صارف کو فنشڈ پیپرز کی فراہمی سے قبل کنڈیشننگ کرنے کا اہم اکیونٹ ہے۔ موجودہ چلر 15 سال پرانا تھا لہذا نیا چلر مع ایکسپریس ریز موجودہ چلر کو سپورٹ کرنے کیلئے لینا ناگزیر ہو گیا ہے نیا چلر مع ایکسپریس ریز خریداری کے عمل میں ہے جو قابل تفتیش نتائج میں بہتری لائے گا۔

اہم مالیاتی وظائف

آمدنی فی شیئر

ٹیکس کے بعد آمدنی فی شیئر 13.03 روپے (2018: 9.63 روپے) ہے۔

مارکیٹ اور بک ویلیو فی شیئر

گزشتہ سال 79.41 روپے کے مقابلے میں اس سال بک ویلیو فی شیئر 83.33 روپے ہے۔ گزشتہ سال 18.84% اور 12.12% کے مقابلے میں جائزہ لی جانے والی مدت کے دوران ایکویٹی ورک آؤٹ ٹیکس ریٹرن کے بعد اور قبل بالترتیب 23.48% اور 15.63% رہا۔

اس سال اوسط مارکیٹ پرائس فی شیئر 102.50 روپے (2018: 142.75 روپے) پر مستحکم رہی۔ 30 جون 2019 کو مارکیٹ پرائس 92.79 روپے (2018: 121.02 روپے) تھی۔ اس سال کے دوران SPL کے ہائی شیئر کی قیمت 127 فی شیئر تھی جبکہ کم شیئر کی قیمت 78 فی شیئر تھی۔ اس سال کے دوران KSE-100 انڈیکس کے ہائی پوائنٹس 45,556 تھے اور کم پوائنٹس 33,166 تھے۔ اسٹاک ایکسچینج کی بری کارکردگی کا منفی اثر SPL کی شیئر پرائس پر بھی پڑا۔



طویل المعیاد ڈیٹا ایکویٹی اور کرنٹ ریشو

مورخہ 30 جون 2019 تک کمپنی کا طویل المعیاد ڈیٹا ایکویٹی اور کرنٹ ریشو بالترتیب 0.00:1 اور 3.37:1 (2018:1:0.00 اور 3.94:1) رہا۔ موجودہ اثاثوں میں اضافے کے بعد موجودہ ریشو میں بہتری آئی۔

کیش فلو مینجمنٹ

جائزہ لئے جانے والے سال میں 642 ملین روپے کمپنی کی آپریٹنگ سرگرمیوں سے حاصل ہوئے اور سرمایہ کاری کے مارک اپ سے 157 ملین روپے ملے۔ کمپنی نے گورنمنٹ سیکورٹیز اور بینک ڈپازٹس میں 416 ملین روپے کا سرمایہ لگایا۔ کمپنی نے 127 ملین روپے کیپٹل ایکسپینڈیچر میں خرچ کئے اور 485 ملین روپے شیئر ہولڈرز کو ڈیویڈنڈ کی صورت میں ادا کئے۔

بنیادی سرگرمی

کمپنی کی بنیادی سرگرمی بینک نوٹ اور نان بینک نوٹ سیکورٹی ڈاکومنٹس کیلئے اسپیشلائزڈ پیپر مینوفیکچر کرنا ہے۔

رسک مینجمنٹ

کمپنی کے رسک مینجمنٹ فریم ورک کا مقصد آنے والے رسک کی شناخت کرنا اور اس رسک کو کم کرنے کیلئے حفاظتی حکمت عملی وضع کرنا یا اس حکمت عملی کو ایڈوانس کرنا شامل ہے۔ کمپنی مستعدی کے ساتھ رسک مینجمنٹ کرتی ہے اور کسی بھی قسم کے رسک سے نمٹنے کیلئے ہنگامی بنیاد پر پلاننگ کرنے کی پوری صلاحیت رکھتی ہے۔ آج کے مسابقتی دور میں کمپنی کی ترقی کیلئے پلاننگ بناتے وقت رسک کے اثر کو کم سے کم کرنے کی اسٹریٹیجی بنانا بھی ضروری ہے۔ ایک عام رسک میں ریگولیشنز، بزنس رسک، ٹیکنالوجی کا متروک ہو جانا، آمدنی پر سرمایہ کاری، بزنس سائیکل، قیمت اور لاگت میں اضافہ، کم وسائل، ٹیلنٹ کی برقراری وغیرہ شامل ہیں۔ کمپنی کا دار و مدار اچھی کوالٹی کی کاٹن کومبر پر ہے۔ آپریشنز 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۔

درج بالا رسک کو کم کرنے کیلئے کمپنی کا سپلائی چین ڈیپارٹمنٹ کوٹن کومبر کی دستیابی بذریعہ کنسلٹنسی بڑھا رہا ہے۔ پانی کی ضرورت کو پورا کرنے کیلئے گزشتہ سال ریور اوسوس پلانٹ کا آغاز کیا گیا ہے۔ شیئر ہولڈرز کی ویلیو میں اضافے کیلئے مینجمنٹ رسک مینجمنٹ کی استعداد بڑھانے کیلئے پرعزم ہے۔

کارپوریٹ سماجی ذمہ داریاں

ایس پی ایل کی کارپوریٹ سماجی پالیسیوں میں معاشرے کی بہتری کیلئے کارپوریٹ کی جانب سے اقدام اٹھانا شامل ہے تاکہ محروم طبقے کی مدد کی جائے اور مختلف کمیونٹیز 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 مستحکم ترقی دینے کیلئے اسٹیک ہولڈرز کے ساتھ مل کر کام کرنے پر یقین رکھتے ہیں۔ اس سال کے دوران کمپنی نے درج ذیل سی ایس آر سرگرمیاں منعقد کیں:

تھر میں کمیونٹی ڈیولپمنٹ

مالیاتی سال 2018-19 میں تھر کی خشک سالی سے متاثر عوام کو پینے کا صاف پانی فراہم کرنے کیلئے سندھ گریجویٹ ایسوسی ایشن کے ساتھ مل کر ہینڈ پمپ بنانے کی غرض سے 2 ملین روپے دیئے گئے۔ اس طرح تھر کے لوگوں کی سماجی و معاشی حالات میں بہتری آئے گی۔



صحت عامہ کے پروجیکٹ

SPL ملک میں معیاری صحت کے پروجیکٹس کو مدد فراہم کرنے پر یقین رکھتا ہے۔ صحت کے شعبے میں ہیلتھ اینڈ نیوٹریشن ڈیولپمنٹ سوسائٹی (HANDS) اور سندھ انسٹیٹیوٹ آف یورولوجی اینڈ ٹرانسپلانٹیشن (SIUT) کے ساتھ تعاون کر کے 1.20 ملین روپے ہیلتھ کیئر کے پروجیکٹ پر خرچ کئے گئے

تعلیم اور خواتین کی خود اختیاری

SPL نے ملک میں تعلیم اور خواتین کی خود اختیاری کے فروغ کے غرض سے روشن تارا اسکول اور کولیشن فار اپر ایجیٹ آف ریسورسز اینڈ ڈیولپمنٹ (CARD) کے ساتھ مل کر 1.10 ملین روپے خرچ کئے ہیں۔

روشن تارا اسکول کم قیمت پر ملیر، کراچی کے علاقے میں محروم طبقے کے بچوں کو تعلیم فراہم کرتا ہے جبکہ CARD ہیومن رائٹس، ہیلتھ، ایجوکیشن اور خواتین کو خود اختیاری وغیرہ فراہم کرنے والا نان پرافٹ ادارہ ہے۔

چلڈرن اینڈ ویمن ویلفئر

SPL نے 200,000/- روپے SOS چلڈرن ویلفئر فار چلڈرن اینڈ ویمن ویلفئر میں اور فنج کمپلیکس کے ہاؤسنگ انفراسٹرکچر کی بہتری کیلئے عطیہ کئے ہیں۔

انٹی گریٹڈ مینجمنٹ سسٹم (IMS)

SPL نے کامیابی کے ساتھ کوالٹی اور انورٹمنٹ مینجمنٹ سسٹم کو نئے انٹرنیشنل اسٹینڈرڈز ISO : 9001:2015 اور ISO 14001:2015 کے تحت اپ گریڈ کیا ہے۔ مینجمنٹ کی تمام تر توجہ رسک سے بچنے کیلئے درست اور پیشگی اقدامات اٹھانے کی طرف ہے۔ آئی ایم ایس درج ذیل مینجمنٹ سسٹمز سے ہم آہنگ ہے:

آکیو پشئل ہیلتھ اینڈ سیفٹی مینجمنٹ سیریز (OHSAS 18001:2007)

ہم غیر صحت مندانہ کام کی پریکٹس / حالات کو کم کرنے اور ختم کرنے کیلئے کوشاں ہیں۔ کام کے ماحول میں پیدا ہونے والے رسک کے تجزیے اور اس طرح کی کمزوریوں پر قابو پانے کیلئے ہیلتھ اینڈ سیفٹی سروسز مینس کمیٹی (HSSC) بنائی گئی ہے۔ ہیلتھ اینڈ سروسز مینس کمیٹی ہفتے میں ایک مرتبہ میٹنگ کرتی ہے اور ریگولر بنیاد پر مینجمنٹ کو اپنی پرفارمنس رپورٹ فراہم کرتی ہے۔

رسک اور انجری سے پاک ماحول بنانے کیلئے ذاتی احتیاطی آلات تمام متعلقہ ڈپارٹمنٹس میں فراہم کر کے ان کا استعمال یقینی بنایا گیا ہے۔ SPL کو ایک ایکسیڈنٹ سے پاک فیکٹری بنانے کیلئے اسٹینڈرڈ آپریٹنگ طریقہ کار نافذ کیا گیا ہے۔

آرگنائزیشن میں ایمرجنسی اور عام، غیر اہم حالات میں ایک تفصیلی صحت اور تحفظ کا نظام "Hazards Identification , Risk Assessment and Controls (HIRAC) پر عمل کیا جاتا ہے۔

علاوہ ازیں OHSAS 18001:2007 مینجمنٹ سسٹم کی اپ گریڈیشن، ISO 45001:2018 مینجمنٹ سسٹم 2019-2020 کے نئے ورژن کو اپنانے کی پلاننگ اور کاوشیں جاری ہیں۔

آکیو پشئل ہیلتھ اینڈ سیکیورٹی (ISO 45001)

ISO 45001 اداروں کو اپنے ملازمین کے تحفظ، کام کی جگہ کا رسک کم کرنے اور بہتر و اچھا کام کا ماحول فراہم کرنے میں مدد دیتا ہے۔ ISO 45001 ایک بین الاقوامی معیار ہے جس میں آکیو پشئل ہیلتھ اینڈ سیفٹی (OH&S) مینجمنٹ سسٹم کے مطلوبات پر پورا اترنے کو وضع کیا گیا ہے۔ ادارے اس کے استعمال سے اپنی



OH&S پر فارمنس میں انجری اور بری صحت سے بچاؤ کرتے ہوئے بہتری لاسکتے ہیں۔

نئے معیار جو OHSAS 18001 کا متبادل ہیں وہ دیگر مینجمنٹ سسٹم جیسا کہ ISO 14001 اور ISO 90001 کو فالو کرتے ہوئے مینجمنٹ کے عزائم، کام میں شرکت اور رسک کنٹرول کو بہتر بنا سکتے ہیں۔

انورنمنٹل مینجمنٹ سسٹم (ISO 14001:2015)

ہم نے جامع، مفصل، پلان اور دستاویز شدہ انورنمنٹل پروگرامز کا اطلاق کیا ہے۔ جس کے تحت ماحولیاتی تحفظ کیلئے نیشنل انورنمنٹل اینڈ کوالٹی اسٹینڈرڈ (NEQS) اور سندھ انورنمنٹل پروٹیکشن ایجنسی (SEPA) اسٹینڈرڈز وغیرہ کی مطابقت سے اہداف کی پیروی کرنا ہے۔

انورنمنٹ مینجمنٹ سسٹم کی ISO سرٹیفیکیشن پلانٹ آپریشن، ورکرز اور ان کی کمیونٹی کیلئے محفوظ ماحولی ضمانت ہے۔ آلودگی پر قابو پانے کیلئے ہم فیکٹری کے ارد گرد کے علاقے میں صاف اور سرسبز ماحول برقرار رکھتے ہیں۔ ہم قدرتی وسائل (بجلی، پانی، 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 ویری فیکیشن کیلئے آزاد انٹرنیشنل 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)

انٹرنیشنل کوالٹی مینجمنٹ سسٹم (ISO 9001:2015) کی بنیاد پر ایک کوالٹی مینجمنٹ سسٹم (QMS) دستاویز کیا گیا ہے جو کہ انورنمنٹ کو بڑھاتے ہوئے ہمواری سے کام کر رہا ہے۔ ہم بینک نوٹ اور دیگر سیکورٹی پیپر کی پروڈکشن کیلئے اعلیٰ اسٹینڈرڈ میٹین کرتے ہیں۔ ہمارے کوالٹی مینجمنٹ سسٹم کا سب سے اہم حصہ کوالٹی کے لئے عائد پیمانوں اور مطلوبہ تصریحات پر پورا اترنا 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 سروسز فراہم کر رہے ہیں۔

بیرونی اور اندرونی آڈٹس رسک سربلیٹنس 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۔

KAIZEN

Kaizen کی بنیاد اس بات پر ہے کہ اسٹیٹس کو کچھ بھی نہیں ہے ہر چیز میں بہتری آسکتی ہے۔ وقت کی ضرورت اور KAIZEN کے فوائد کو مد نظر رکھتے ہوئے مینجمنٹ نے اس بارے میں ایک خیال پیش کیا۔ جس کے تحت سب سے پہلے معاملات اور مواقع کی تشخیص کی جاتی ہے، پھر ان کے حل نکالے جاتے ہیں اور پھر ان کا نفاذ کرایا جاتا ہے اور پھر کسی دوسرے مسئلے میں جہاں کمی پیش پائی جاتی ہو اسے بھی اس عمل سے بار بار گزارا جاتا ہے۔ KAIZEN کیلئے تعارفی سیشن اور کچھ ورک شاپس کا انعقاد کیا گیا مختلف ٹیمز جنہوں نے اسے سیکھا اسے مزید اپنے ٹیم ممبران جس میں فرنٹ لائن سپروائزرز، اسٹاف اور ورکرز شامل تھے انہیں اس بارے میں سکھایا گیا ہے۔ ہیومن ریسورس (ایچ آر)

کمپنی ہیومن ریسورسز ڈیپارٹمنٹس کی سرگرمیاں مستقبل کیلئے نئے ٹیلنٹ کو ابھارنے پر فوکس کرتی ہیں۔ ایچ آر ڈیپارٹمنٹ کمپنی کی ترقی کیلئے بہت ہی سرگرم اور باصلاحیت ملازمین کی تقرری کرتا ہے۔ ڈیپارٹمنٹ ملازمین کے معاملات، پے رول، نفع اور تربیت کو دیکھتا ہے۔ ہیومن ریسورسز ڈیپارٹمنٹ کمپنی کی کارکردگی میں اضافے کیلئے مصروف عمل ہے۔



ایچ آرڈ پارٹمنٹ کی ذمہ داریوں میں اسٹریٹجک مینجمنٹ، ورک فورس پلاننگ، ٹریننگ و ڈیولپمنٹ اور ملازمین کے مشاہرے و فوائد کو منظم کرنا شامل ہے۔ اس سال کے دوران ایچ آرڈ پارٹمنٹ نے اچھی کارکردگی دکھانے پر داد و تحسین کے پروگرام جیسا کہ ایمپلائی آف دی کوارٹر ایوارڈ، انویٹیو آئیڈیا اسکیم اور سروس ریلیگنڈ نیشن ایوارڈ کے ذریعے ملازمین کیلئے صحت مندانہ مقابلے اور تعمیری رویوں کے فروغ کا کام کیا ہے۔ کمپنی کی خواتین ملازمین کمپنی کی ترقی کیلئے خوش آئند ہیں اور ہم مساوی پیمانے کے آج رہیں جو خواتین کی حوصلہ افزائی کرتے ہیں۔ کمپنی میں پُر جوش انداز سے خواتین کا عالمی دن منایا گیا۔ اس کے علاوہ کمپنی میں عید میلاد النبی صلی اللہ علیہ وسلم کا اہتمام بھی کیا گیا۔

SPL کسی بھی قسم کی ہراسگی کی حوصلہ شکنی کرتا ہے۔ کمپنی صنفی مساوات اور خواتین کی خود اختیاری پر یقین رکھتی ہے۔ ہر سطح پر فیصلہ سازی کیلئے قیادت اور شرکت کے مساوی مواقع کمپنی کی ترقی کے عمل کو تیز تر کرنے کیلئے خواتین کو فراہم کئے جاتے ہیں۔

خصوصی افراد کی ملازمت

کمپنی نے خصوصی افراد کو ملازمت فراہم کرنے تاکہ وہ معاشرے کے کارگر افراد بن سکیں، اس حوالے سے بھی پالیسی ترتیب دے رکھی ہے۔

اصولی سرگرمیوں کا بیان

کمپنی مفصل اصولی اور کاروباری سرگرمیوں کے قواعد رکھتی ہے۔ کمپنی کے کاروباری قواعد کی پاسداری تمام ملازمین پر فرض ہے کہ وہ مفادات سے روگردانی نہ کریں۔ کمپنی کے اکاؤنٹس میں تمام کاروباری ٹرانزیکشنز کا سیکیورٹی پیپرزمینڈ کی طرف سے واضح اظہار ہوتا ہے۔ ہر ملازم اس بات کا ذمہ دار ہے کہ وہ قوانین کی کوئی خلاف ورزی نہ کرے اور وہ اپنی ذمہ داریوں جن کی مناسب نگرانی کی جارہی ہے انہیں پوری طرح نبھائے۔ ملازم اسے دیئے جانے والے مخصوص کاموں کا جوابدہ ہے۔

انٹرنل آڈٹ

SPL کے پاس انٹرنل آڈٹ کا آزادانہ شعبہ ہے۔ انٹرنل آڈٹ کا ہیڈ بورڈ آڈٹ کمیٹی (BAC) کو رپورٹ کرتا ہے۔ سالانہ انٹرنل آڈٹ پلان رسک اسسٹمنٹ کی بنیاد پر BAC کی منظوری سے تیار کئے جاتے ہیں۔

انٹرنل آڈٹ رسک کی جانچ اور انٹرنل کنٹرول میں بہتری کی سفارشات کا کام بھی کرتا ہے۔ انٹرنل آڈٹ کا کام آزادانہ طور پر کمپنی کے اندرونی آپریشن کے مسلسل جائزے کے ساتھ اکاؤنٹنگ، فنانشل اور آپریشنل کاموں پر نظر رکھتے ہوئے تخمینہ لگانے کی سرگرمیوں میں شرکت کرنا ہے۔ انٹرنل آڈٹ کا عمل خود مختاری، معروضیت اور ویلیو ایڈیشن کے سنہری اصولوں پر مبنی ہے۔ لہذا اس عمل کے نتائج کام کی موثریت، نفع کو بچانے اور کمپنی مفادات کا تحفظ بذریعہ اندرونی کنٹرول کی صورت میں برآمد ہوتا ہے۔

انٹرنل فنانشل کنٹرول

بورڈ نے انٹرنل کنٹرول کیلئے سسٹم اور پالیسیاں بنائی ہیں تاکہ کاروباری قواعد کی بہتر انداز سے پیروی کی جاسکے، کمپنی کے اثاثہ جات کا تحفظ ہو اور دھوکہ و خطا کم کیا گیا اور اس سے بچا جاسکے، اکاؤنٹنگ ریکارڈ درستگی سے مکمل ہوں اور مالیاتی مکاشفات (Financial Disclosures) وقت پر اور شفاف ہوں۔ بورڈ کی آڈٹ کمیٹی انٹرنل کنٹرول سسٹم کی موثریت، فعالیت اور بہتری کا گاہے بگاہے جائزہ لیتی رہتی ہے تاکہ اسے مضبوط بنایا جاسکے۔ اس کے علاوہ یہ کوارٹری انٹرنل آڈٹ رپورٹس کا بھی جائزہ لیتی ہے۔ انٹرنل کنٹرول کا سسٹم کمپنی کے اہداف کے حصول، آپریشنل کارکردگی، موثریت، درست فنانشل رپورٹنگ اور قواعد و ضوابط کی پیروی کو یقینی بنانے کیلئے معاون ہے۔



کاروباری تسلسل کا پلان (BCP)

کمپنی کی کاروباری تسلسل کی پلاننگ کمیٹی کا یہ مینڈیٹ ہے کہ وہ انٹر پرائز رسک اسسمنٹ کی بنیاد پر جامع BCP مینول بنائے اور اس کا نفاذ کرائے۔ مسلسل رسک اسسمنٹ اور مینجمنٹ کام میں آنے والے خلل کے امکانات اور ان کے اثرات کو کم کرتی ہے۔ کمپنی کاروباری تسلسل میں گہری دلچسپی رکھتی ہے اور دشواری پیدا کرنے والے واقعات کی صورت میں ہموار انداز سے کام کرنے کے حوالے سے درج ذیل اقدامات اٹھا رہی ہے:

- مکینیکل کے ذریعے آگ سے بچاؤ کا جامع نظام جس میں متعلقہ تنصیبات اور اسٹاف کی متواتر ٹریننگ بھی شامل ہے۔
- اکاؤنٹنگ مینجمنٹ انفارمیشن سسٹم (MIS) کے ڈیٹا کا بیک اپ ریگولر لینا اور اسے محفوظ مقام پر سیف کرنا۔
- قدرتی اور انسانی خطرات کے نتیجے میں ہونے والے کسی بھی انسانی یا مادی نقصان سے بچاؤ کے عوض انشورنس کا انتظام۔
- فیکٹری کی اندرونی و بیرونی حدود میں سرگرمیوں کی الیکٹرانک اور انسانی وسائل پر مشتمل اعلیٰ سیکورٹی سسٹم کے ذریعے مانیٹرنگ۔
- انتظامی عہدوں کی تبدیلی سے قطع نظر موثر آپریشنز کیلئے جانشینی کیلئے اعلیٰ حکمت عملی۔

بزنس پراسس ری۔ انجینئرنگ (BPR)

SPL پیداوار اور کارکردگی کے حصول کیلئے کاروباری طریقہ کار اور ورک فلو کوری ڈیزائن کیا جا رہا ہے تاکہ بزنس پراسس ری انجینئرنگ (BPR) کا ہدف حاصل کیا جاسکے۔ BPR میں بنیادی باتوں پر دوبارہ سوچ بچار اور کاروبار کے طریقہ کار کوری ڈیزائن کرنا شامل ہے تاکہ پرفارمنس میں لاگت، کوالٹی، سروس اور اسپید کی بہتری لا کر بڑھایا جاسکے۔ جائزہ لئے جانے والے سال کے دوران بزنس پراسس ری انجینئرنگ کے مثبت نتائج پیپر مشین 2- کے اہم پرزے "شارٹ فارمز" کی بحالی سے سامنے آیا ہے اب پیپر مشین کی رفتار، پیداواری صلاحیت اور پیپر کی کوالٹی میں اضافہ ہوا ہے۔ مختلف ڈپارٹمنٹس کیلئے تکنیکی وسائل سے لیس ایک ٹیم بنائی گئی ہے جس نے "شارٹ فارمز" کو بحال کیا جو کہ کئی سال پہلے نان۔ آپریشنل ہو گیا تھا۔ ٹیم نے ایکو پمنٹ کے کئی اہم پیچیدہ پرزے مینوفیکچر کئے ہیں اور انہیں آپریشنل بھی بنایا ہے۔

ریسرچ اینڈ ڈیولپمنٹ

مستقبل میں درپیش چیلنجوں سے نمٹنے کیلئے ہم مستقل طور پر ایسے ایریاز تلاش کر رہے ہیں جہاں بہتری کی گنجائش ہو۔ اس مقصد کیلئے ہم مسلسل اپنے پلانٹ کی بیلنسنگ، جدیدیت اور تبدیلی کیلئے کوشاں ہیں۔ پائیدار ترقی کے حصول کی ریڑھ کی ہڈی ہمارے نزدیک ریسرچ اور ڈیولپمنٹ کی سرگرمیاں ہیں۔ ٹیسٹنگ اور پروڈیوسنگ کے طریقہ کار میں مستقل طور پر پراسس اور میٹریل ویسٹ کی کمی کی کوششوں سے بہتری لائی جا رہی ہے جس کی وجہ سے صارفین کے اطمینان اور پلانٹ کے کام کرنے کی صلاحیت میں اضافہ ہوا ہے۔ R&D ٹیم نئے سیکورٹی پیپر پروڈکٹ بنانے اور پروڈکشن کی لاگت کم کرنے کیلئے کوشاں ہے۔

انفارمیشن سسٹم

کمپنی کے طویل المدی مقاصد کو پورا کرنے کی غرض سے انفارمیشن سسٹم بنایا گیا ہے جسے پیشہ ورانہ اسٹاف کی ٹیم چلا رہی ہے نیز جائزہ لئے جانے والے سال کے دوران اس نظام میں خوش آئند اضافہ بھی ہوا ہے۔ کمپنی تیزی کے ساتھ پیپر کے بغیر ماحول کی بحالی کیلئے گامزن ہے۔ آئی ٹی کے انفرا سٹرکچر کی بہتری کیلئے آپریشنل کارکردگی کو مد نظر رکھتے ہوئے بھی بہت سے اقدامات اٹھائے گئے ہیں۔ 2018-19 میں انفارمیشن ٹیکنالوجی کے متعدد اختراعی پروجیکٹس کا آغاز کیا گیا ہے۔ ان انفارمیشن سسٹم سولوشنز کے باعث کمپنی کی کارکردگی میں نمایاں اضافہ ہوا ہے۔

اس سال کے دوران آئی ٹی ڈپارٹمنٹ نے متعدد سافٹ ویئر اپیلی کیشن پروجیکٹس جیسا کہ پروڈکشن ماڈیول، انجینئرنگ ماڈیول، میڈیکل کلیم موڈیول، ریلیٹ ٹائم الارٹ اور نوٹیفیکیشن بذریعہ ای میل / ایس ایم ایس مکمل کئے ہیں۔ آئی ٹی ڈپارٹمنٹ کی نمایاں کامیابی کاغذ سے پاک ماحول کی دستیابی ہے جس کے سبب اندون ڈپارٹمنٹس آپریشنل سرگرمیاں انٹرانٹ پورٹل کے سبب تیز تر ہو گئی ہیں۔



میٹرل کی تبدیلی اور عہد
کمپنی کی مالیاتی پوزیشننگ پر کوئی میٹرل کی تبدیلی اور عہد اثر انگیز نہیں ہے اور مالیاتی سال کے اختتام تک کمپنی بیلنس شیٹ سے متعلق معاملات اور رپورٹ کی تاریخ بنا چکی ہے۔

فنانشل اسٹیٹمنٹس

کمپنی کے آڈیٹرز، KPMG، تاثیر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹس کمپنی کے فنانشل اسٹیٹمنٹس آڈٹ کرتے ہیں اور ممبرز کو ان کو الیفائیڈ رپورٹ جاری کرتے ہیں۔

متعلقہ پارٹی ٹرانزیکشنز

عام کاروبار کیلئے تمام متعلقہ پارٹی ٹرانزیکشنز آزادانہ انداز سے آرم لینتھ اصول کی بنیاد پر کمپنیز ایکٹ 2017 سے متعلق ہیں۔ کمپنی یا شیئر ہولڈرز کے مفادات کے خلاف ورزی نہ کرتے ہوئے وسیع پیمانے پر کمپنی، اس کے ڈائریکٹرز یا ایم مینیجریل پرسونل وغیرہ کی جانب سے متعلقہ پارٹی ٹرانزیکشنز کا کوئی عمل سامنے نہیں آیا۔ مالیاتی سال 2018-19 کے دوران متعلقہ پارٹی ٹرانزیکشنز آڈٹ کمیٹی اور بورڈ کے سامنے ری ویو اور منظوری کیلئے پیش کی گئیں۔ یہ ٹرانزیکشنز آڈٹ کمیٹی کی جانب سے ری ویو کی گئیں اور بورڈ کی جانب سے منظور کی 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

ڈائریکٹرز سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے کارپوریٹ فنانشل رپورٹنگ فریم ورک اور کارپوریٹ گورننس کے قواعد کی پاسداری کو یقینی بناتے ہیں۔ کمپنی کی مینجمنٹ کی جانب سے بنائی گئی فنانشل اسٹیٹمنٹس شفاف انداز معاملات، آپریشنز کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کو پیش کر رہی ہیں۔ کمپنی مناسب بک آف اکاؤنٹس میٹین کر رہی ہے۔ فنانشل اسٹیٹمنٹس کی تیاری کیلئے واضح اکاؤنٹنگ پالیسیاں متواتر طور پر اپلائی کی گئی ہیں۔ فنانشل اسٹیٹمنٹس کی تیاری کیلئے پاکستان میں فنانشل رپورٹنگ کے بین الاقوامی اسٹینڈرڈز کا اطلاق کیا گیا ہے۔

پاکستان اسٹاک ایکسچینج کی رول بک کے تفصیلی قواعد کے تحت بہترین کارپوریٹ پریکٹس کا مظاہرہ کرتے ہوئے کوئی بھی میٹرل ڈپارچر نہیں کیا گیا۔ انٹرل کنٹرول کا سسٹم بہترین ڈیزائن کیا گیا اور اس کو موثر انداز سے نافذ کرتے ہوئے مانیٹر کیا جا رہا ہے۔ کمپنی کی صلاحیت پر کوئی سوالیہ نشان نہیں۔ کمپنی کی اہم آپریٹنگ اور فنانشل ڈیٹا کا خلاصہ اس رپورٹ میں اینکس کیا گیا ہے۔

کارپوریٹ گورننس کے کوڈ کے ساتھ مطابقت

’اسٹیٹمنٹ برائے کارپوریٹ گورننس کے کوڈ کے ساتھ مطابقت‘ (CCG) اینکس (صفحہ 95)

شیئر ہولڈنگ کا پیٹرن

اسٹیٹمنٹ میں شیئر ہولڈنگ کا پیٹرن مورخہ 30 جون 2019 کو کمپنیز ایکٹ 2017 کے سیکشن (f) 227(2) کے تحت اس رپورٹ میں اینکس کیا گیا ہے۔



آڈیٹرز

آڈیٹرز، KPMG، تاثیر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹس، سالانہ اجلاس عام کے اختتام پر ریٹائرڈ ہو جائیں گے۔ اہل ہونے باعث انھوں نے اپنے آپ کو دوبارہ اپائنٹمنٹ کیلئے پیش کر دیا ہے۔

آڈٹ کمیٹی کی تجاویز کے مطابق، بورڈ نے KPMG، تاثیر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹس کو سال 2019-20 کیلئے آڈیٹرز کے طور پر مقرر کرنے کی سفارش کی ہے۔

بورڈ اور کمیٹی کی تبدیلی

پچھلی سالانہ رپورٹ سے اب تک درج ذیل تبدیلیاں آچکی ہیں:

بورڈ میں محمد یونس ڈھاگا (جنہوں نے بورڈ کو جناب شعیب میر کی جگہ جوائن کیا تھا) کی جگہ آزاد بطور نان۔ ایگزیکٹو ڈائریکٹر سردار احمد نواز سکھیرا نے جوائن کر لیا ہے

پاکستان سکیورٹی پرنٹنگ کارپوریشن (پرائیوٹ) لمیٹڈ کی جانب سے ڈاکٹر محمد اشرف بٹ، ایگزیکٹو ڈائریکٹر نے بورڈ کو جناب علی حسن کی جگہ جوائن کیا ہے

بیرونی تبدیلیوں کے نتیجے میں کمپنی کے بورڈ آف ڈائریکٹرز میں تبدیلی آگئی ہے اس لئے مختلف بورڈ کمیٹیز میں ضروری واہم تبدیلیوں کی گئی ہیں۔

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

بورڈ کی تشکیل

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

کل ڈائریکٹرز کی تعداد

(a) میل 10

(b) فی میل حالیہ ٹرم کیلئے لاگو نہیں

تشکیل

(i) آزاد ڈائریکٹرز 3

(ii) ایگزیکٹو ڈائریکٹرز 1

(iii) نان ایگزیکٹو ڈائریکٹرز 6



ڈائریکٹر کے نام	چیرمین
جناب محمد ہارون رشید	ڈائریکٹر / چیف ایگزیکٹو آفیسر
جناب ڈاکٹر محمد اشرف بٹ	نان ایگزیکٹو ڈائریکٹر - آزاد
جناب جمال نسیم	نان ایگزیکٹو ڈائریکٹر - آزاد
جناب محمد ایوب	نان ایگزیکٹو ڈائریکٹر - آزاد
جناب سردار احمد نواز سکھیرا	نان ایگزیکٹو ڈائریکٹر
جناب شیخ محمد اعجاز اختر	نان ایگزیکٹو ڈائریکٹر
جناب ڈاکٹر ابوالغاسم جمشیدی	نان ایگزیکٹو ڈائریکٹر
جناب مہمت اوز یاوز	نان ایگزیکٹو ڈائریکٹر
جناب رؤف احمد	نان ایگزیکٹو ڈائریکٹر
جناب نوید احتشام	نان ایگزیکٹو ڈائریکٹر

بورڈ نے مطلوبہ مقاصد کے حصول کیلئے بھی سب کمیٹیز بنائی ہیں ان کمیٹیز میں شامل ہیں:

بورڈ آڈٹ کمیٹی (BAC)	چیرمین (آزاد)
جناب جمال نسیم	ممبر
جناب شیخ محمد اعجاز اختر	ممبر
جناب ڈاکٹر ابوالغاسم جمشیدی	ممبر
جناب سردار احمد نواز سکھیرا	ممبر
جناب احمد ایوب	ممبر
جناب نوید احتشام	ممبر

ہیومن ریسورس اورری مینوریشن کمیٹی (BHRC)	چیرمین (آزاد)
جناب جمال نسیم	ممبر
جناب محمد ہارون رشید	ممبر
جناب ڈاکٹر محمد اشرف بٹ	ممبر
جناب شیخ محمد اعجاز اختر	ممبر
جناب رؤف احمد	ممبر



بورڈ انویسٹمنٹ اینڈ رسک مینجمنٹ کمیٹی (BIRC)

جناب سردار احمد نواز سکھیرا چیئرمین (آزاد)

جناب محمد اشرف بٹ ممبر

جناب محمد ایوب ممبر

جناب ڈاکٹر ابوالغاسم جمشیدی ممبر

جناب نوید احتشام ممبر

بورڈ پروجیکٹ اسٹریٹجک کمیٹی (BPS)

جناب جمال نسیم چیئرمین (آزاد)

جناب محمد ہارون رشید ممبر

جناب محمد اشرف بٹ ممبر

جناب ڈاکٹر ابوالغاسم جمشیدی ممبر

جناب رؤف احمد ممبر

ڈائریکٹرز کا مشاہرہ

کمپنی کے تمام ڈائریکٹرز نان ایگزیکٹو ہیں ماسوائے چیف ایگزیکٹو آفیسر۔ کمپنی کی جانب سے اجلاس عام میں بورڈ کو آئینڈ کرنے کیلئے نان ایگزیکٹو ڈائریکٹرز کا مشاہرہ بتایا گیا ہے۔ ڈائریکٹرز کا مشاہرہ انڈسٹری کے ٹرینڈ اور کاروباری پریکٹس کو مد نظر رکھتے ہوئے طے کیا گیا ہے۔ فنانشل اسٹیٹمنٹ کے نوٹ 30 میں مشاہرے کی تفصیلات موجود ہیں۔

بورڈ آف ڈائریکٹرز کی پرفارمنس کی تشخیص

بورڈ کے کردار کی تشخیص اور موثریت ایک مسلسل عمل ہے جس کا تعین خود بورڈ نے کیا ہے۔ جس میں کچھ اہم امور شامل تھے:

☆ کمپنی کے اغراض و مقاصد کے ساتھ کارپوریٹ اہداف اور مقاصد سے مطابقت

☆ پائیدار آپریشن کیلئے اسٹریٹجی بنانا اور پلاننگ کرنا

☆ بورڈ کی خود مختاری اور موثریت

ذاتی فیڈبک موصول کیا گیا اس فیڈبک کی بنیاد پر بورڈ کی پرفارمنس کی ایورٹج ریٹنگ کی گئی اور بورڈ کی سربراہی کرنے کیلئے چیئرمین کا کردار طے کیا گیا جو کہ کمپنی کی اچھی کارکردگی کیلئے لازم ہے۔

چیئرمین ریویو

بورڈ آف ڈائریکٹرز نے چیئرمین کے ریویو کی تائید کی اینکس (صفحہ 10)



اسٹریٹیجک پلان

اسٹریٹیجک پلان کا عمل اس بات کی نشاندہی کرتا ہے کہ مطلوبہ اہداف ٹھوس بنیاد پر ڈیٹا پارٹنٹس کی کارکردگی کی جانچ سے حاصل کئے جاسکتے ہیں۔ اسٹریٹیجی میں بزنس ایجنڈا بتایا گیا ہے جس میں مالیاتی آمدنی کے حصول کیلئے اہداف سیٹ کئے گئے ہیں اور ان اہداف کے حصول کیلئے بہتر مواقع کی نشاندہی اور ترجیحات بتائی گئی ہیں نیز بزنس ایجنڈا کو از سر نو ترتیب دیا گیا ہے۔ بورڈ سالانہ بنیاد پر تفصیلی فنانشل پروگرام بناتا ہے جسے بزنس اسٹریٹیجی میں بتایا گیا ہے۔ مینجمنٹ کی جانب سے وقتاً فوقتاً اس پلان کے تحت ہونے والی پیشرفت کا جائزہ لیا جائے گا۔

قومی ذخائر میں اضافہ

جائزہ لئے جانے والے سال کے دوران کمپنی نے قومی ذخائر میں باواسطہ اور بلاواسطہ ٹیکسز اور محصولات کی ضمن میں گزشتہ سال اسی مدت کے دوران 964 ملین روپے کے مقابلے میں 1,152 ملین روپے کی رقم کا اضافہ کیا۔ کمپنی نے اس سال 30 ملین یو ایس ڈالر (تقریباً) زرمبادلہ سیونگ بذریعہ درآمد حاصل کی جو کہ گزشتہ سال کی اس مدت کے دوران 29 ملین یو ایس ڈالر تھی۔

توانائی کی بچت

توانائی کی طلب و رسد کے فرق کو کم کرنے کی غرض سے کمپنی توانائی کا استعمال کم کرنے پر یقین رکھتی ہے۔ اس سال توانائی کی بچت کیلئے بہت سے اقدامات اٹھائے گئے۔ جن میں سے چند درج ذیل ہیں:

چلرز میں موجودہ روایتی ڈرائیوز کے مقابلے میں کم توانائی پر چلنے والے ڈائریکٹر ایزریشن چلر کا فریگونیسی کنٹرولڈ ڈرائیو فیوین کا انتظام۔ پلپ بنانے کے ایریا میں روایتی الیکٹرک موٹرز کی جگہ مختلف فریگونیسی ڈرائیوز کے ہائی ایفٹنسی موٹرز کا استعمال۔ علاوہ ازیں پلانٹ میں نصب 80% موٹر ڈرائیوز انورٹریس کردی گئی ہیں تاکہ روایتی اسٹارڈیلٹا موٹرز کے مقابلے میں کم توانائی خرچ ہو۔ اسٹم لائنز اور ٹینکوں میں ہیٹ کے نقصانات کم کرنے کیلئے ہیٹ انسولیشن کی فراہمی۔

سفارشات کی بنیاد پر انرجی ایڈٹ منعقد کیا گیا اور تمام روایتی لائٹس کو ایل ای ڈی لائٹس سے تبدیل کر دیا گیا۔ ملازمین کی لائٹوں، کمپیوٹر سسٹمز، الیکٹرانک ایپوائنٹمنٹ اور نہ استعمال میں آنے والے انٹرکنڈکشن کو بند کرنے پر حوصلہ افزائی کی گئی۔

کارپوریٹ ایکسیلنس ایوارڈ

سیکیورٹی پیپر لمیٹڈ نے مینجمنٹ ایسوسی ایشن آف پاکستان (MAP) کی جانب سے منعقدہ MAP، 34 واں کارپوریٹ ایکسیلنس ایوارڈ جیت لیا۔ MAP کی جانب سے دیئے جانے والے کارپوریٹ ایکسیلنس ایوارڈ کا مقصد لہجہ کی بہترین کارپوریٹ اور مینجمنٹ پریکٹس کیلئے حوصلہ افزائی کرنا ہے۔

کمپنی کے پاس MAP کی جانب سے 24 واں تا 29 واں ایوارڈ (چھ مرتبہ لگاتار) اور 31 واں اور 34 واں ایوارڈ موجود ہے۔ یہ دسویں بار ہے کہ کمپنی کو 1982 سے اس کیٹیگری میں ایوارڈ دے کر اس کی خدمات کو تسلیم کیا جا رہا ہے۔ یہ ایوارڈ اور اس بات کا مظہر ہے کہ ہم کو الٹی، اچھے پیشہ ورانہ معیارات اور تمام تر سرگرمیوں کو بہتر انداز سے کرنے کی جدوجہد کے وعدے پر پورا اترتے ہیں۔ یہ کارپوریٹ سیکٹر کا معزز ترین ایوارڈ ہے۔ MAP کی جانب سے کمپنی کے مینجمنٹ کا مختلف شعبوں کا معیار کارپوریٹ گورننس، اسٹریٹیجک پلاننگ، سماجی ذمہ داری، پلاننگ ہیومن ریسورسز، پروڈکشن مینجمنٹ، ریسرچ اور ڈیولپمنٹ سے بڑھانے پر حوصلہ افزائی کی گئی ہے۔



انوائرنمیشنل ایکسیلنس ایوارڈ 2019

سالانہ ماحولیاتی ایکسیلنس ایوارڈ (AEEA) پاکستان میں ماحولیاتی معیار کی پابندی میں ایک نمایاں مقام رکھتا ہے یہ خاص طور پر ایسی تنظیموں کی حوصلہ افزائی کیلئے ڈیزائن کیا گیا ہے جو ہر قسم کے اخراج، ویسٹ اور آلودگی کو کنٹرول کرتی ہیں اور ملک و خطے کے ماحول کے تحفظ کو یقینی بناتی ہیں تاکہ پائیدار ترقی لائی جاسکے۔ نیشنل فورم فار انوائرنمنٹ اینڈ ہیلتھ (NFEH) نے 16 ویں انوائرنمیشنل ایوارڈ 2019 سے سیکورٹی پیپرز لمیٹڈ کو نوازا ہے۔ ممتاز جیوری کے پینل نے دستاویزات اور تعریفات کی جانچ پڑتال اور انوائرنمیشنل مینجمنٹ سسٹمز کیلئے SPL کی پالیسیوں پر اسے متفقہ طور پر ایوارڈ دینے کا فیصلہ کیا۔

مزید معلومات

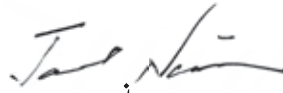
ملک کی معیشت میں روپے کی قدر میں کمی کے باعث کمزوری واقع ہوئی ہے جس کا نتیجہ انرجی کی بڑھتی قیمت ہے جو میکرو اکنامک لحاظ سے ہمارے لئے پریشانی کا سبب ہے۔ کمپنی اس طرح کے کاروباری چیلنجوں سے مقابلہ کرنے کیلئے تیار ہے اور اپنی تمام تر توجہ اختراع، میکرو اکنامکس میں درپیش چیلنجوں میں مواقع تلاش کرنے، سیاسی و سماجی حالات کے مطابق پیداوار بڑھانے اور شیئر ہولڈرز کی قیمت بڑھانے پر رکھ رہی ہے۔ 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 آنے والے سالوں میں کمپنی ترقی کے نئے مواقع تلاش کرے گی اور اپنے پلانٹ کو اپ گریڈ کرتے ہوئے اپنی پیداوار میں اضافہ کرے گی۔ جس سے شیئر ہولڈرز، ملازمین اور صارفین کے فوائد میں اضافہ ہوگا۔


ہم اس ادارے میں اچھی کارکردگی کو فروغ دیتے ہوئے اختراع اور صارف پر دھیان دے رہے ہیں۔ ہمارے لوگ ترقی کیلئے پُر جوش انداز سے کام کر رہے ہیں۔

تعریفی کلمات

بورڈ کی جانب سے ہم کمپنی کے مقاصد کو حاصل کرنے کیلئے مینجمنٹ، اسٹاف اور ورکرز کا تہہ دل سے شکر گزار ہیں جنہوں نے کمپنی کے اہداف کے حصول کیلئے اپنا حصہ ڈالا۔ ہم بورڈ شیئر ہولڈرز، صارفین اور دیگر اسٹیک ہولڈرز کا کمپنی کی کامیابی، بہتری اور ترقی کیلئے موثر کردار ادا کرنے پر بھی شکر گزار ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے


جمال نسیم
ڈائریکٹر


ڈاکٹر محمد اشرف بٹ
چیف ایگزیکٹو آفیسر

کراچی

مورخہ 26 جولائی 2019



Criteria to Evaluate Board's Performance

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

- a. 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 (Code of Corporate Governance) Regulations, 2017.
- b. The Board regularly reviews its performance against the code of ethics and corporate governance best practices that promote ethical culture in the Company and prevent conflict of interest as members of Board, senior management, and other employees.
- c. The Board is effective in delegating to the CEO and top management full responsibility for implementing policies.
- d. The decisions on material transactions and significant matters are documented by a resolution passed at a meeting of the Board.
- e. Board meetings are conducted in a manner that ensures meaningful participation.
- f. The Board has in place a Risk Management Committee for governance of risk and determining risk tolerance appetite of the Company.
- g. The Board monitors the Company's performance against the planned objectives and advises the management on strategic initiatives.
- h. The Board oversees the succession planning and approves hiring, compensation, salary reviews etc. of employees.
- i. Internal control system in the Company is structured, formal, risk-based, and working effectively and is regularly assessed through internal audit activities.
- j. Board members are provided with training and development opportunities to increase their effectiveness.
- k. Board members have an excellent attendance record for attending Annual General Meetings.
- l. There is a formal and effective mechanism for an annual evaluation of the Board's own performance, members of Board and its Committees.
- m. The Board understands and is committed to the Company's mission and vision.
- n. 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, August 30, 2019 at 11:00 a.m. at The Institute of Bankers Pakistan, M.T. Khan Road, Karachi.

Eligible shareholders are encouraged to participate and vote.

Registered Office

Jinnah Avenue, Malir Halt,
Karachi-75100
Telephone: (+9221) 99248285
Fax: (+9221) 99248286
E-mail: comsec@security-papers.com
Website: <http://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
E-mail: info.shares@famco.com.pk
Timings: 8:30 a.m. to 1:00 p.m. & 2:00 p.m. to 3:30 p.m.

Auditors

KPMG Taseer Hadi & Co.,
Chartered Accountants

Investor Relations Contact

Faisal Saeed Khan
Company Secretary
Telephone: (+9221) 99248285
Fax: (+9221) 99248286
E-mail: comsec@security-papers.com

Web Reference

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



Shareholders' Information

Stock Exchange Listing

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

Security Papers Ltd. Share Prices 2018-19			
Period	Price in Rupees		
	High	Low	Average
1st Quarter – September 30, 2018	127.00	95.17	111.08
2nd Quarter – December 31, 2018	99.30	78.00	88.65
3rd Quarter – March 31, 2019	102.00	87.05	94.52
4th Quarter – June 30, 2019	97.89	78.92	88.40

Reporting

Period	Financial Results
1st Quarter – September 30, 2018	October 18, 2018
2nd Quarter – December 31, 2018	January 25, 2019
3rd Quarter – March 31, 2019	April 12, 2019
4th Quarter – June 30, 2019	July 26, 2019

Financial Results

The Board of Directors of the Company, in its meeting held on July 26, 2019, has recommended the following:

Cash Dividend

Final cash dividend at the rate of Rs. 7.25/- per share i.e. 72.5% for the year ended June 30, 2019. This is in addition to the interim cash dividend already paid at the rate of Rs. 1/- per share i.e. 10% making a total of Rs. 8.25/- per share i.e. 82.5%.

CNIC/NTN Number on Dividend Warrant (Mandatory)

As it 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 of a copy of valid CNIC (for individuals) and National Tax Number (for corporate entities).



Shareholders' Information

Accordingly, shareholders who have not yet submitted a 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, 2019 effective July, 01 2019, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:
1. Rate of Withholding Income Tax deduction for the persons whose names are appearing on ATL ---- 15%.
 2. Rate of Withholding Income Tax deduction for the persons whose names are not appearing on ATL ---- 30%.

To enable the company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, shareholders whose names are not appearing on Active Taxpayers' List (ATL) available on the website of FBR are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

Persons not appearing in the Active Taxpayers' List: The rate of tax required to be deducted/collected, as the case may be, is increased by 100% as specified in the First Schedule to the Income Tax Ordinance, 2001 (updated as per Finance Act, 2019).

- (ii) Withholding tax will be determined separately on 'persons names appearing on ATL/persons names not appearing on ATL' status of Principal Shareholder as well as Joint-holder(s) based on their shareholding proportions, in case of joint accounts.

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

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

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

- (iii) As per FBR Circulars No. 1 (29) WHT/2006 dated 30th June 2010 and 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 the 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 and/or FAMCO Associates (Pvt.) Ltd. at phone: 021-34380101-5 and email address: info.shares@famco.com.pk.



Shareholders' Information

- (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 and Companies (Distribution of Dividends) Regulations, 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.

Therefore, shareholders are requested to provide the details of their bank mandate information 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 the Company's website: <http://www.security-papers.com>.

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' notice to the shareholder to file claim. If no claim is made before the Company by the shareholder, the Company shall proceed to deposit the unclaimed or unpaid shares/dividends with the Federal Government in compliance with 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.

Placement of Financial Accounts on Website

Pursuant to the notification of the SECP (SRO 634(I)/2014) dated 10th July 2014, the financial statements of the Company have been placed on the Company's website at www.security-papers.com.



Shareholders' Information

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 complaints or grievances at the designated area on the Company's website. The link can be accessed via "Investor Information" tab.



Corporate Awards History of Security Papers Ltd.

Top Companies Award

Security Papers Limited (SPL) was conferred the "Top 25 Companies Award of Pakistan Stock Exchange" for the year 2016. It secured the 6th position on the basis of the highest score achieved. The Company has the distinction of receiving this prestigious award for the years 2000 to 2007 and 2009 to 2016.



Best Corporate Report Award

The Company's Annual Reports of 2003 and 2006 to 2012 won the Best Corporate Report Award. The comprehensive selection criteria required inclusion of detailed information in the Annual Report on the subjects of Corporate Objectives, Directors' Report, Disclosure, Shareholder Information, Report Presentation and Corporate Governance.



Best Sustainability Report Award 2010

The Sustainability Report 2010 of the Company won the "Certificate of Appreciation". The Award was introduced by the Joint Committee of the Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost and Management Accountants of Pakistan (ICMAP).



Credit Rating

JCR-VIS Credit Rating Company Limited reaffirmed medium to long-term entity rating of Security Papers Limited (SPL) at **'AAA' (Triple A)** and short-term rating at **'A-1+' (A one plus)** for the year 2013-14. The outlook on the medium to long-term rating was 'Stable'.



Corporate Governance Rating

JCR-VIS Credit Rating Company Limited reaffirmed the Corporate Governance Rating of the Company at CGR-9, denoting 'high level of corporate governance' for the year 2013-14. The rating was measured on a scale ranging from CGR-1 (lowest) to CGR-10 (highest).

Corporate Governance ratings are based on evaluation of key governance areas of the rated organization, which include Regulatory Compliance, Board Oversight, Management Profile, Self-regulation, Financial Transparency and Relationship with Stakeholders.





Corporate Awards History of Security Papers Ltd.

Commitment to Environmental Reporting

The Company received commendation for Commitment to Environmental Reporting in 2010 from ACCA-WWF* Pakistan.

* Association of Chartered Certified Accountants - World Wildlife Fund.



Corporate Excellence Award - MAP

Security Papers Limited (SPL) received the 34th Corporate Excellence Award of the Management Association of Pakistan (MAP). The Company holds 24th to 29th Awards (six times in a row), as well as 31st to 33rd (three times in a row). The Award recognizes the best managed companies in Pakistan that follow guidelines and principles of the latest management techniques.



ISO Certifications

CERTIFICATION OF INTEGRATED MANAGEMENT SYSTEM (IMS):

Occupational Health and Safety Management Assessment Series (OHSAS):
- **OHSAS 18001:2007** (01 March 2017 until 15 February 2020)

Quality Management System:
- **ISO 9001:2015** (31 May 2018 until 02 April 2021)

Environmental Management System:
- **ISO 14001:2015** (31 May 2018 until 25 April 2021)

Certification given by SGS United Kingdom Limited



Fire and Safety Award

The Company also won the Fire and Safety Award 2011, 2012 and 2013 for three consecutive years. The Award was jointly organized by the Fire Protection Association of Pakistan (FPAP) and the National Forum for Environment & Health (NFEH).





Corporate Awards History of Security Papers Ltd.

Environment Excellence Award

The National Forum for Environment and Health conferred the 15th Annual Environment Excellence Award 2018 to Security Papers Limited. This was a unanimous decision of the distinguished Panel of Jury. The award was given in recognition of the Company's vision and its effective implementation of environment management system, policies and testimonials.

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



Environment Reporting Award

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

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





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The holder of
a sum of Seven
interest and in addition
accordance with the
By order of the President of Pakistan
Governor,
State Bank of Pakistan

SI.No.

Birth Registration Certificate

Form No:

Child's Details

Name :

Date of Birth :

Gender :

District of Birth :

Religion :

Parental Information

BBS874

VISION



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



MISSION



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

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



CORE VALUES



1. Striving for continuous improvement and innovation with commitment and responsibility.
2. Treating shareholders/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

1. Providing customer satisfaction by serving with quality products, security paper needs of national and international customers.
2. Ensuring quality manufacturing by production of state-of-the-art security paper products with highest quality at lowest cost.
3. 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.
4. Ensuring security and accountability by creating an environment of security and accountability for employees, production facilities and products.
5. Expanding customer base by exploring new national and international markets and undertaking product research and development in security paper.
6. Ensuring efficient resource management by managing human, financial, technical and infrastructural resources so as to support the above strategic goals and to ensure the highest possible value addition to stakeholders.



Risks and Mitigation Strategy

Production

Risks:

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

Mitigation:

- The Company is constantly looking for new markets to expand into. Our unique strategic advantage is a deep, far reaching understanding of the manufacture of high-quality substrate for security documents with unique and foolproof security features, and we are leveraging that expertise to offer a wide variety of value-added products to various sectors and organizations. Currently, we are exploring the markets for producing non paper based substrate and for printing security documents.

Commercial & Operational Risks

Risks:

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

Mitigation:

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

Financial Risks

Risks:

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

Mitigation:

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



SWOT Analysis

Strengths & Weaknesses

Strengths:

1. Only company in the country for producing banknotes and other security papers.
2. Strong financial position due to continuous growth
3. Technologically advanced plant & machinery with a history of timely upgrades
4. Experienced workforce with exposure of national and international trainings
5. Captive power generation
6. Fully compliant integrated management systems

Weaknesses:

1. Reliance on single customer/product
2. Small customer base
3. Capacity constraints
4. Reliance on some key imported inputs

Opportunities & Threats

Opportunities:

1. Growing local demand for security paper products
2. Diversification into non-paper substrates for security documents
3. Diversification into complete security document suppliers
4. Export market for security paper products

Threats:

1. Demonetization of smaller denominations (as have been done in past) of banknotes
2. Change of substrates from cotton to polymer etc.
3. Erratic supplies of water from the utility provider
4. Single source for some specialized inputs
5. Currency devaluation



The Board Audit Committee Report

The Board Audit Committee of the Company comprises of six Non-Executive Directors. Mr. Jamal Nasim, who is an Independent Director is the Chairman of the Board Audit Committee. One of the members of the Board Audit Committee qualifies as financially literate. The Head of Internal Audit is the Secretary of the Audit Committee. Senior management officers are invited to attend the Committee's meetings when the business of the Committee requires as such. The Audit Committee also separately meets the external auditors at least once in a year without the presence of the Management.

Meetings of the Audit Committee are held at least once every quarter. Six meetings of the Audit Committee were held during the year 2018-2019. Based on reviews and discussions in these meetings, the Audit Committee reports that:

The Company has issued a Statement of Compliance with the Code of Corporate Governance which has also been reviewed and certified by the auditors of the Company.

The Audit Committee reviewed and recommended the quarterly, half yearly and annual financial statements of the Company and recommended for approval of the Board of Directors. Further, the financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017, and applicable International Accounting Standards and International Financial Reporting Standards notified by SECP.

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

The Annual Report of the Company is fair, balanced and understandable.

The Audit Committee has reviewed and recommends all related party transactions for the Board's approval.

The Audit Committee takes into account any feedback from the Board of Directors and incorporates it for improvement.

INTERNAL AUDIT

An Internal Audit Plan is prepared and submitted to BAC. Further, on the basis of this plan, audits are conducted and reports are submitted. The Committee on the basis of the said reports reviews the adequacy of controls and compliance shortcomings in areas audited and discuss corrective actions in the light of management responses. Regular follow ups of these reports are also taken. This ensures the continual evaluation of controls and improved compliance. Minutes of Audit Committee meetings are timely circulated to the Board of Directors.

For continuous improvement of internal controls, the Committee also discusses the internal controls and the management letter with the external auditors.

EXTERNAL AUDIT

The external auditors M/s. KPMG Taseer Hadi & Co. Chartered Accountants were allowed to meet the Board Audit Committee without the CFO and the head of internal audit being present. Major findings arising from audits and any matters that the external auditors wished to highlight were freely discussed with them.



The Board Audit Committee Report

The Audit Committee has reviewed and discussed with the external auditors and management, all the Key Audit Matters and other issues identified during the external audit along with the methods used to address the same.

Being eligible for reappointment as Auditors of the Company, the Audit Committee has recommended the appointment of M/s. KPMG Taseer Hadi & Co. Chartered Accountants as External Auditors of the Company for the year ending June 30, 2020.

Dated: July 25, 2019

Chairman Audit Committee



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 to customers, agents or distributors
9. Strictly avoiding giving and receiving gifts
10. Treating means to be as important as ends

COMPANY POLICIES







Synopsis about Company Policies

Corporate Email Etiquettes Policy

The Company considers email as an important means of communication and recognizes the importance of proper email content and speedy replies in conveying a professional image and delivering good customer service. Users should take the same care in drafting an email as they would for any other communication. The purpose of the Corporate Email Etiquettes Policy is to ensure the proper use of the Company's email system and make users aware of what the Organization deems as acceptable and unacceptable use of its email system.

Corporate Social Responsibility (CSR)

The objective of this policy is to enable Security Papers Limited (SPL) to contribute meaningfully to the society, environment, and national causes by creating opportunities for employees to participate in socially responsible initiatives, allocating a budget approved by the Board, establishing an implementation & monitoring mechanism for CSR initiatives. SPL undertakes its activities in a manner that exhibits its responsibility towards the environment & society and complements its core business strategy and corporate values.

Policy for Record and Archives Management

The purpose of this policy is to establish guidelines to departments for their effective records management. This policy advises SPL employees on the creation and use of Company records, and sets standards for classifying, managing and storing office records. A good record keeping program is fundamental to the Company's commitment to administrative transparency and accountability. It enables the Company to account for decisions and actions by providing essential evidence in the form of records and ensures the preservation of the collective memory of the Company. This policy seeks to ensure that the Company's business is adequately documented and managed in accordance with the best corporate practices.

Reward & Recognition Policy

The Reward & Recognition Policy fosters a positive work environment through the introduction of a reward and recognition mechanism for inculcating desired performance, encouraging constructive behavior, advocating commitment and demonstrating desired values, while supporting the achievement of our business objectives. This Policy recognizes individual and team accomplishments, which the Reward and Recognition Committee recommends and confers through categories of Employee of the Quarter Award, Innovative Idea Award and Service Recognition Award.

Sexual Harassment Policy

Each employee has the right to be treated fairly and respectfully at the workplace and to create a safe working environment for the employees, which is free of harassment, abuse and intimidation with a view towards fulfillment of their right to work with dignity. The Policy is in compliance with "The Protection against Harassment of Women in the Workplace Act, 2010". A Committee has been constituted by the Board's Human Resources & Remuneration Committee for inquiring the complaints of the affected employees under this Policy.



Synopsis About Company Policies

Succession Planning Policy

Security Papers Limited is fully committed to maintain an inventory of highly skilled and professionally competent business leaders. The Company has a well-structured Succession Planning Policy for achieving the desired results. Critical positions or positions with high turnover are reviewed frequently to ensure smooth succession planning and availability of the right resources. Throughout the year, the Executive Board and the Head of HR periodically meet with the Heads of Departments to review progress in developing identified successors in their areas of responsibility.

Training & Development Policy

The Company recognizes that the successful attainment of its Vision and Mission is directly related to the quality of its employees. The Company, therefore, has a strategic goal to promote and fully utilize the skills, knowledge, personal development, and commitment of all employees. Training and Development is one of the most important vehicles for developing individual effectiveness consistent with the goals of the Company.

The Training & Development Policy is designed to support the Company in achieving its organizational plan by assisting employees to develop in their current job roles and to prepare them for shouldering higher responsibilities future job roles by providing them opportunities for continuing professional and personal development. This Policy clarifies the roles and responsibilities of all those involved in the training and development process and outlines a framework through which the Company is able to provide a comprehensive program ultimately leading to organizational development.

Whistleblowing Policy

To provide a mechanism where employees can, without fear of reprisal, report illegal and unethical activities for preemptive remedial measures in a confidential manner. The Whistleblowing Policy is applicable to all employees for the reporting of any illegal or unethical activities that may harm the interests of SPL and/or any stakeholder or external agency dealing with the Company. This Policy covers all illegal and unethical activities that include but are not limited to violation of any of the related laws or policies of SPL, cover-up of a violation of laws or policies, damage to health and safety and any criminal offence.

Employee Welfare Fund (EWF) Policy

The objective behind establishing the Employee Welfare Fund is to address acute financial needs of our permanent employees through grants/loans from the Fund. The purpose of this Policy is to facilitate and formalize the grant of refundable loans and non-refundable financial assistance for our permanent Workers, Staff and Officers working up to Deputy Manager Level.

Related Party Transactions Policy

The Board of Directors of the Security Papers Limited (SPL), in pursuance of the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2017, has adopted Related Party Transactions Policy to regulate the transactions between SPL and its related parties. The Policy is applicable to all Related Party Transactions irrespective of their value and size. The Policy is intended to ensure that Related Party Transactions are conducted in a manner that will protect the Company from conflict of interest, which may arise between the Company and its Related Parties and to ensure proper review, approval, and disclosure of transactions between the Company and its Related Parties as required in compliance with regulatory requirements.



Synopsis About Company Policies

Communication and Disclosure Policy

The Communication and Disclosure Policy sets out the Company's policies and procedures in terms of its communication and disclosure, which are aimed at ensuring that the Company complies with the applicable laws and regulations. The goal of this Policy is to ensure that all shareholders and stakeholders have, simultaneously and without delay, sufficient, reliable, essential and consistent information about the Company and its operations as well as about matters affecting the value of the Company's financial strength. Information that may affect the value of the Company's financial reports are announced to the capital markets and other key stakeholders simultaneously without undue delay, while protecting the Company's commercially sensitive information.

Environmental Policy

Security Papers Limited is committed to ensure a safe and healthy workplace for its employees and minimizes any potential negative impact on the environment, either because of its products or because of its operations. The management is responsible for the safe operation of its manufacturing facilities in a manner that employees, neighboring communities, plant/equipment and the environment is not endangered.

Occupational Health and Safety Policy

Security Papers Limited strongly believes in its 'Occupational Health & Safety' (OH&S) philosophy and is committed to establish, implement, maintain and continually improve an OH&S Management System in accordance with the requirements of Occupational Health and Safety Management Series (OHSAS) 18001:2007 standards and to make SPL an accident free organization

Quality Policy

Security Papers Limited is committed to provide highest quality products that conform to or exceeds the requirements of its customers with a view to achieve the maximum level of customer satisfaction. Successful implementation of quality policy is the responsibility of all employees, staff and the management with the guidance of the Board of Directors.

Information Technology (I.T.) Policy

The I.T. Policy of the company applies to all officers, staff and workers and all other authorized users. The objectives of the I.T. Policy are as follows:

- Provide and maintain equipment in a suitable environment, and to ensure safe working practice.
- Ensure that SPL achieves best value from I.T. application within the organization.
- Ensure that I.T. facilities are adequately secure.
- Ensure that the users are aware of and fully comply with the relevant policies, procedures, guidelines and standards.
- Ensure safe, proper and responsible disposal of I.T. equipment.
- Ensure that SPL plays an active and responsible part in its use of information technology.



Company Information

Board of Directors

Non-Executive Directors

Chairman

Mr. Muhammad Haroon Rasheed	-	Nominee – PSPC
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Directors

Sheikh Mohammad Aijaz Akhtar			
Dr. Abolghassem Jamshidi – Iran	-	Nominee – IDRO	
Mr. Memet Ozyavuz – Turkey	-	Nominee – SHAS	
Mr. Jamal Nasim	Independent	-	Elected – NIT
Mr. Muhammad Ayub	Independent	-	Elected – PPCBL
Sardar Ahmad Nawaz Sukhera	Independent	-	Elected – SLIC
Mr. Rauf Ahmad		-	Nominee – PSPC
Mr. Naveed Ehtesham		-	Nominee – PSPC

Executive Director

Chief Executive Officer

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

Board Audit Committee (BAC)

Mr. Jamal Nasim	Independent	Non-Executive Director	Chairman
Sardar Ahmad Nawaz Sukhera	Independent	Non-Executive Director	Member
Mr. Muhammad Ayub	Independent	Non-Executive Director	Member
Sheikh Mohammad Aijaz Akhtar		Non-Executive Director	Member
Dr. Abolghassem Jamshidi		Non-Executive Director	Member
Mr. Naveed Ehtesham		Non-Executive Director	Member
Mr. Aqeel Ahmed		In-charge (Internal Audit)	Secretary



Company Information

Board Human Resource and Remuneration Committee (BHRC)

Mr. Jamal Nasim	Independent	Non-Executive Director	Chairman
Mr. Muhammad Haroon Rasheed		Non-Executive Director	Member
Dr. Mohammad Ashraf Butt		Executive Director	Member
Sheikh Mohammad Aijaz Akhtar		Non-Executive Director	Member
Mr. Rauf Ahmad		Non-Executive Director	Member
Mr. Shahbaz Ali		Dy. General Manager	Secretary

Board Investment & Risk Management Committee (BIRC)

Sardar Ahmad Nawaz Sukhera	Independent	Non-Executive Director	Chairman
Dr. Mohammad Ashraf Butt		Executive Director	Member
Mr. Muhammad Ayub	Independent	Non-Executive Director	Member
Dr. Abolghassem Jamshidi		Non-Executive Director	Member
Mr. Naveed Ehtesham		Non-Executive Director	Member
Mr. Rizwan UL Haq Khan		Chief Financial Officer	Secretary

Board Project/Strategic Committee (BPSC)

Dr. Mohammad Ashraf Butt		Executive Director	Chairman
Mr. Muhammad Haroon Rasheed		Non-Executive Director	Member
Sardar Ahmad Nawaz Sukhera	Independent	Non-Executive Director	Member
Mr. Muhammad Ayub	Independent	Non-Executive Director	Member
Mr. Naveed Ehtesham		Non-Executive Director	Member
Mr. Rauf Ahmad		Non-Executive Director	Member
Mr. Khalil Ahmed		General Manager	Secretary

Board Procurement Committee (BPC)

Mr. Jamal Nasim	Independent	Non-Executive Director	Chairman
Mr. Muhammad Haroon Rasheed		Non-Executive Director	Member
Dr. Mohammad Ashraf Butt		Executive Director	Member
Dr. Abolghassem Jamshidi		Non-Executive Director	Member
Mr. Rauf Ahmad		Non-Executive Director	Member
Mr. Faizul Islam		General Manager	Secretary



Company Information

Executive Committee

Chairman:

Dr. Mohammad Ashraf Butt

-

Chief Executive Officer

Members:

Mr. Rizwan Ul Haq Khan

-

Chief Financial Officer

Mr. Faisal Saeed Khan

-

Company Secretary

Mr. Faizul Islam

-

General Manager (Supply Chain & IT)

Mr. Khalil Ahmed

-

General Manager (Projects)

Syed Tanveer Hussain Bukhari

-

General Manager (Engineering)

Qazi Syed Imran Azam

-

General Manager (IMS & R&D)

Mr. Shahbaz Ali

-

D.G.M. (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. (Production)

Mr. Babar Aijaz

-

D.G.M. (F&A)

Mr. Shoaib Siddiqui

-

D.G.M. (Product Diversification)

Lt. Col. (R) Kazim Ali

-

D.G.M. (Security Controller)

Mr. Aqeel Ahmed

-

Sr. Manager (In-charge Internal Audit)

Bankers

National Bank of Pakistan

Bank Alfalah Limited

MIB Bank Limited (formerly NIB Bank Limited)

Bank Al Habib Limited

Habib Metropolitan Bank Limited

Meezan Bank Limited

Auditors

KPMG Taseer Hadi & Co.

Chartered Accountants

Tax Consultant

A. F. Ferguson & Co.

Chartered Accountants

Legal Advisor

Mohsin Tayebaly & Co.

Advocates & Legal Consultants

Registered Office

Jinnah Avenue, Malir Halt,
Karachi-75100.

Tel. No: (+9221) 99248285

Fax No: (+9221) 99248286

E-mail: comsec@security-papers.com

Website: <http://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

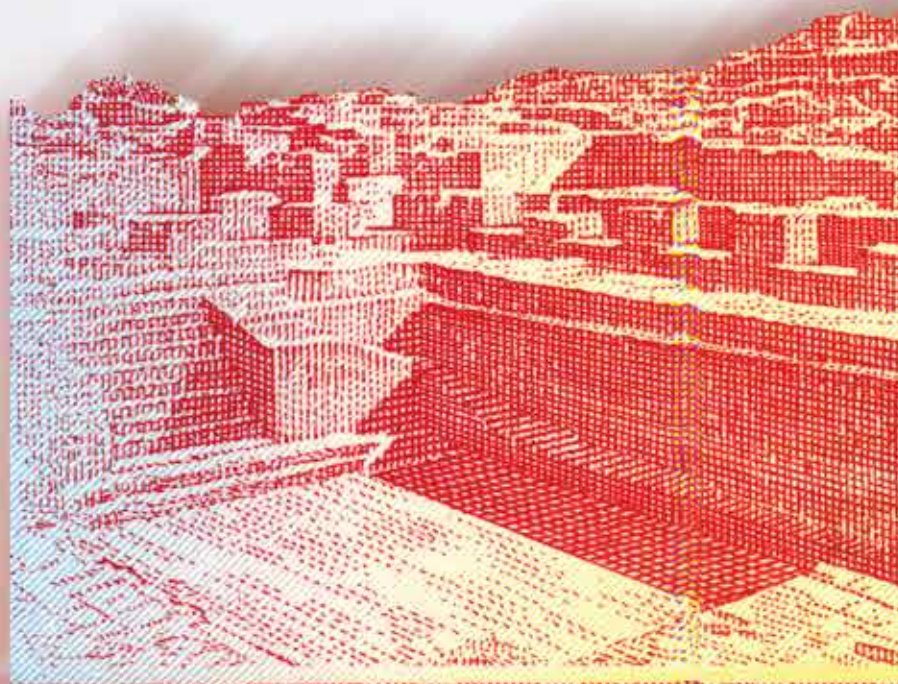
E-mail: info.shares@famco.com.pk

Factory

Jinnah Avenue, Malir Halt, Karachi-75100

Tel. No: (+9221) 99248536-37, Fax No: (+9221) 99248616

PERFORMANCE & POSITION



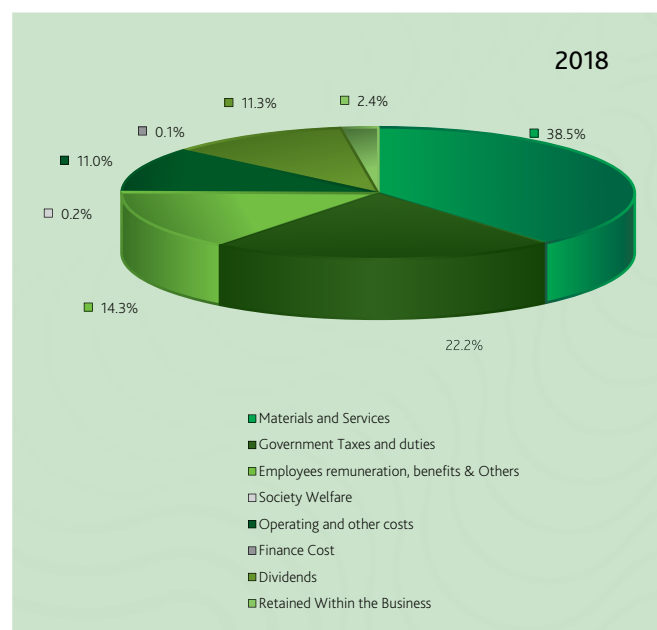
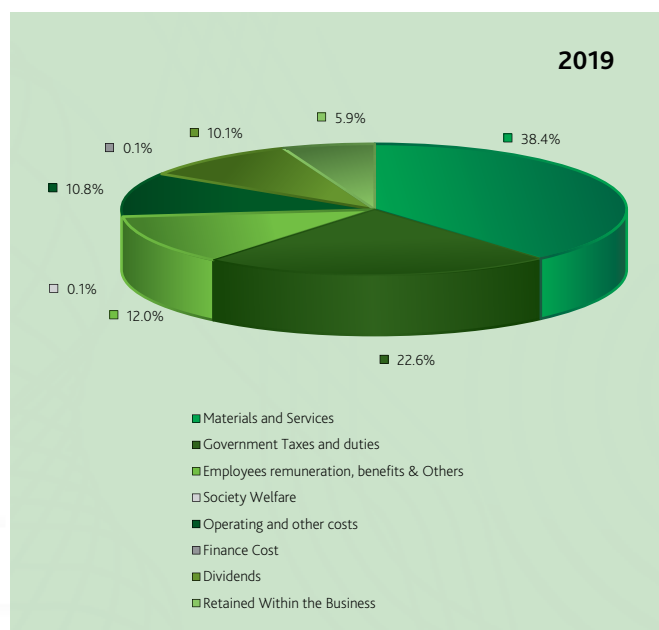




Statement of Value Addition and its Distribution

	2019	%	2018	%
	------(Rs. in '000)-----			
VALUE ADDITION				
Net Sales including Taxes	4,682,474	96.4%	4,056,752	96.8%
Other Operating Income	175,649	3.6%	133,140	3.2%
	4,858,123	100%	4,189,892	100%
VALUE DISTRIBUTION				
Materials and Services	1,867,773	38.4%	1,612,976	38.5%
Government Taxes and duties	1,099,569	22.6%	931,479	22.2%
Employees remuneration, benefits & Others	583,413	12.0%	598,353	14.3%
Society Welfare	4,856	0.1%	8,284	0.2%
Operating and other costs	524,293	10.8%	460,674	11.0%
Finance Cost	3,093	0.1%	3,452	0.1%
Dividends *	488,861	10.1%	474,047	11.3%
Retained Within the Business	286,266	5.9%	100,627	2.4%
	4,858,123	100%	4,189,892	100%

* Proposed final cash dividend announced subsequent to the year end of Rs.429.61 million (i.e. Rs.7.25/- per share) is reflected in the above data as referred to in note 39 of the financial statements.





Horizontal & Vertical Analysis Statement of Profit or Loss

Horizontal Analysis

	2019	2018 Restated	2017	2016	2015	2014
Sales - net	15.42%	21.99%	10.01%	20.67%	(4.25%)	20.42%
Cost of sales	11.16%	23.95%	2.74%	16.50%	(6.98%)	20.17%
Gross profit	22.58%	18.82%	24.16%	29.73%	2.26%	20.99%
Administrative expenses	(1.77%)	23.44%	9.53%	5.79%	3.40%	1.54%
Other income	31.93%	(74.43%)	73.22%	6.56%	32.08%	6.56%
Other charges	23.04%	182.26%	43.06%	26.07%	1.63%	2.25%
Operating profit	30.49%	(31.91%)	41.48%	26.65%	11.77%	23.45%
Finance costs	(28.32%)	4.50%	(63.28%)	(57.99%)	(37.02%)	(30.37%)
Profit before taxation	30.78%	(32.03%)	42.77%	29.88%	15.17%	30.46%
Taxation - net	22.50%	(13.74%)	29.70%	43.14%	(0.72%)	34.47%
Profit after taxation	35.36%	(39.17%)	48.63%	24.70%	22.84%	28.61%

Vertical Analysis

Sales - net	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of sales	60.38%	62.70%	61.70%	66.07%	68.44%	70.45%
Gross profit	39.62%	37.30%	38.30%	33.93%	31.56%	29.55%
Administrative expenses	5.98%	7.03%	6.95%	6.98%	7.96%	7.37%
Other income	4.39%	3.84%	18.32%	11.64%	13.18%	9.55%
Other charges	8.97%	8.42%	3.64%	2.80%	2.68%	2.52%
Profit before taxation	28.97%	25.57%	45.89%	35.35%	32.85%	27.31%
Taxation - net	9.68%	9.12%	12.89%	10.94%	9.22%	8.89%
Profit after taxation	19.29%	16.45%	32.99%	24.42%	23.63%	18.42%



Horizontal & Vertical Analysis Statement of Financial Position

Horizontal Analysis

	2019	2018 Restated	2017 Restated	2016	2015	2014
ASSETS						
Non-current assets						
Property, plant and equipment	(4.68%)	(0.12%)	(6.96%)	(7.44%)	(4.26%)	(1.47%)
Intangible Assets	20.09%	100.00%	-	-	-	-
Long Term Investments	197.71%	(48.66%)	0.64%	(47%)	0.69%	149.23%
Lease deposits	7.97%	18.99%	(13.78%)	13.76%	16.79%	7.49%
Current assets						
Stores, spares and loose tools	5.33%	24.99%	28.33%	(0.76%)	(6%)	3.22%
Stock-in-trade	(7.00%)	(28.69%)	12.64%	33.02%	8.75%	(18%)
Trade debts - considered good	44.19%	(0.83%)	103.25%	22.99%	(11%)	4.21%
Advances, deposits, prepayments and other receivables	71.84%	(34.07%)	63.9%	(47.23%)	241.79%	11.17%
Accrued mark-up	(0.27%)	(5.05%)	(37%)	2.98%	(2.88%)	141.58%
Investments	(28.07%)	20.36%	13.9%	92.77%	39.98%	(56.38%)
Cash and bank balances	(49.49%)	1255.33%	(79.69%)	28.65%	37.65%	123.42%
Total assets	3.26%	3.75%	7.71%	2.37%	5.09%	2.21%
LIABILITIES						
Current liabilities						
Trade and other payables	(7.63%)	14.12%	23.68%	(4.22%)	11.02%	13.88%
Accrued mark-up on short term finance - secured	866.67%	(85.37%)	(74.77%)	(77.95%)	(60.01%)	(28.86%)
Short Term Running Finance	61.17%	100.00%	-	-	-	-
Current portion of long term liabilities	4.52%	0.58%	(84.91%)	(64.16%)	(24.72%)	0.37%
Unpaid & Unclaimed dividend	23.20%	17.33%	29.11%	31.00%	13.59%	33.31%
Taxation - net	(18.14%)	(13.09%)	12.90%	9.38%	30.46%	25.74%
Non-current liabilities						
Liabilities against asset subject to finance lease	13.95%	38.07%	(14.88%)	31.02%	0.49%	31.31%
Long Term Finance	-	-	(100.00%)	(97.06%)	(74.57%)	(49.84%)
Deferred taxation - net	(31.03%)	(15.82%)	(21.33%)	(5.36%)	(6.75%)	(6.82%)
Total liabilities	(3.42%)	10.02%	5.44%	(9.51%)	(8.18%)	(6.97%)
NET ASSETS	4.94%	2.28%	8.26%	5.70%	9.54%	5.71%
Issued, subscribed and paid-up capital	-	-	-	-	20.00%	20.00%
General reserve	7.20%	14.44%	6.17%	5.45%	4.58%	0.28%
Unappropriated profit	(7.24%)	(44.93%)	25.98%	13.06%	28.97%	33.12%
SHAREHOLDER'S EQUITY	4.94%	2.28%	8.26%	5.70%	9.54%	5.71%



Horizontal & Vertical Analysis Statement of Financial Position

Vertical Analysis

	2019	2018 Restated	2017 Restated	2016	2015	2014
ASSETS						
Non-current assets						
Property, plant and equipment	24.90%	26.97%	28.01%	32.43%	35.87%	39.37%
Intangible Assets	0.03%	0.02%	-	-	-	-
Long Term Investments	19.57%	6.79%	13.72%	14.68%	28.37%	29.61%
Lease deposits	0.07%	0.07%	0.06%	0.07%	0.07%	0.06%
Current assets						
Stores, spares and loose tools	3.00%	2.94%	2.44%	2.05%	2.11%	2.36%
Stock-in-trade	5.98%	6.64%	9.66%	9.24%	7.11%	6.87%
Trade debts - considered good	14.85%	10.63%	11.13%	5.90%	4.91%	5.80%
Advances, deposits, prepayments and other receivables	1.42%	0.86%	1.35%	0.88%	1.72%	0.53%
Accrued mark-up	0.74%	0.77%	0.84%	1.43%	1.42%	1.54%
Loans, receivables & Investments	26.08%	37.43%	32.27%	30.52%	16.20%	12.17%
Cash and bank balances	3.37%	6.88%	0.53%	2.79%	2.22%	1.70%
Total assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
LIABILITIES						
Current liabilities						
Trade and other payables	8.88%	9.93%	9.02%	7.86%	8.40%	7.95%
Accrued mark-up on short term finance - secured	0.002%	0.0002%	0.001%	0.01%	0.03%	0.08%
Short Term Running Finance	1.45%	0.93%	-	-	-	-
Current portion of long term liabilities	0.12%	0.12%	0.12%	0.85%	2.42%	3.38%
Unpaid & Unclaimed dividend	4.24%	3.55%	3.14%	2.62%	2.05%	1.89%
Taxation - net	1.79%	2.25%	2.69%	2.57%	2.40%	1.93%
Non-current liabilities						
Liabilities against asset subject to finance lease	0.31%	0.28%	0.21%	0.27%	0.21%	0.22%
Long Term Finance	-	-	-	0.02%	0.80%	3.31%
Deferred taxation - net	2.06%	3.09%	3.81%	5.22%	5.64%	6.36%
Total liabilities	18.84%	20.14%	18.99%	19.40%	21.95%	25.12%
NET ASSETS	81.16%	79.86%	81.01%	80.60%	78.05%	74.88%
Issued, subscribed and paid-up capital	9.74%	10.06%	10.43%	11.24%	11.50%	10.07%
General reserve	64.72%	62.34%	56.52%	57.34%	55.67%	55.94%
Unappropriated profit	6.70%	7.46%	14.05%	12.01%	10.88%	8.86%
SHAREHOLDER'S EQUITY	81.16%	79.86%	81.01%	80.60%	78.05%	74.88%



Analysis of Financial Statements

PARTICULARS	2019	2018 Restated	2017 Restated	2016	2015	2014
Financial Position						
Fixed Assets - Net	1,514,757	1,589,119	1,591,021	1,710,120	1,847,615	1,929,736
Intangible Assets	1,596	1,329	-	-	-	-
Investments	1,190,841	399,999	779,176	774,229	1,461,099	1,451,031
Lease Deposits **	4,268	3,953	3,322	3,853	3,387	2,900
	<u>2,711,462</u>	<u>1,994,400</u>	<u>2,373,519</u>	<u>2,488,202</u>	<u>3,312,101</u>	<u>3,383,667</u>
Current Assets	3,372,972	3,898,039	3,305,688	2,784,411	1,838,660	1,517,628
Current Liabilities	1,001,985	988,323	850,482	732,894	788,072	746,833
Working Capital	<u>2,370,987</u>	<u>2,909,716</u>	<u>2,455,206</u>	<u>2,051,517</u>	<u>1,050,588</u>	<u>770,795</u>
Less : Long Term Liabilities	18,735	16,441	11,908	15,202	51,927	172,863
Less: Deferred Liabilities	125,618	182,124	216,360	275,028	290,593	311,641
	<u>144,353</u>	<u>198,565</u>	<u>228,268</u>	<u>290,230</u>	<u>342,520</u>	<u>484,504</u>
Net Assets	<u>4,938,096</u>	<u>4,705,551</u>	<u>4,600,457</u>	<u>4,249,489</u>	<u>4,020,169</u>	<u>3,669,958</u>
Paid-up-Capital	592,559	592,559	592,559	592,559	592,559	493,799
General Reserves	4,345,537	4,112,992	4,007,898	3,656,930	3,427,610	3,176,159
Shareholders' Equity	<u>4,938,096</u>	<u>4,705,551</u>	<u>4,600,457</u>	<u>4,249,489</u>	<u>4,020,169</u>	<u>3,669,958</u>
Profit or Loss						
Sales - Net of taxes	4,001,591	3,466,918	2,842,085	2,583,566	2,140,952	2,236,019
Cost of Sales	2,416,355	2,173,695	1,753,679	1,706,946	1,465,235	1,575,208
Gross Profit	1,585,236	1,293,223	1,088,406	876,620	675,717	660,811
Administration Expenses	239,421	243,741	197,459	180,286	170,417	164,819
Profit after Administrative Expenses	1,345,815	1,049,482	890,947	696,334	505,300	495,992
Other Income	175,649	133,140	520,700	300,600	282,092	213,579
Finance & Other Cost	362,182	296,154	107,521	83,516	84,091	98,901
Profit before Tax	1,159,282	886,468	1,304,126	913,418	703,301	610,671
Taxation	387,248	316,109	366,473	282,547	197,388	198,814
Profit after Tax	<u>772,034</u>	<u>570,359</u>	<u>937,653</u>	<u>630,871</u>	<u>505,913</u>	<u>411,857</u>
Investors Information						
Dividend *						
Cash - Value	488,861	474,047	474,047	444,419	355,535	246,900
Cash - %	82.50%	80%	80%	75.00%	60.00%	50.00%
Bonus - Value	-	-	-	-	-	98,760
Bonus - %	-	-	-	-	-	20.00%
Profit retained in Business - Value	283,173	96,312	463,606	186,452	150,378	66,197
Retention - %	36.68%	16.89%	49.44%	29.55%	29.72%	16.07%
Profitability Ratios						
Gross Profit to Sales %	39.62%	37.30%	38.30%	33.93%	31.56%	29.55%
EBITDA (Rs '000)	1,377,678	1,099,240	1,514,035	1,137,121	933,969	850,145
EBITDA Margin to Sales %	34.43%	31.71%	53.27%	44.01%	43.62%	38.02%
Cost / Income Ratio	0.66:1	0.70:1	0.69:1	0.73:1	0.76:1	0.78:1
Profit before Tax to Sales Ratio	0.29:1	0.26:1	0.46:1	0.35:1	0.33:1	0.27:1
Profit after Tax to Sales Ratio	0.19:1	0.16:1	0.33:1	0.24:1	0.24:1	0.18:1
Return on Equity - before tax %	23.48%	18.84%	28.35%	21.49%	17.49%	16.64%
Return on Equity - after tax %	15.63%	12.12%	20.38%	14.85%	12.58%	11.22%
Return on Capital Employed %	15.58%	12.08%	20.33%	14.79%	12.42%	10.72%
Operating Leverage Ratio %	50.80%	(66.81%)	148.38%	43.97%	(80.89%)	32.72%



Analysis of Financial Statements

PARTICULARS	2019	2018 Restated	2017 Restated	2016	2015	2014
Activity / Turnover Ratios						
Return on Assets - before tax %	19.05%	15.04%	22.96%	17.32%	13.65%	12.46%
Return on Assets - after tax %	12.69%	9.68%	16.51%	11.97%	9.82%	8.40%
Total Assets Turnover Ratio	0.66:1	0.59:1	0.50:1	0.49:1	0.42:1	0.46:1
Fixed Asset Turnover Ratio	2.64:1	2.18:1	1.79:1	1.51:1	1.16:1	1.16:1
Stock Turnover - (In Times)	6.40	4.63	3.39	4.15	4.36	4.23
Stock Turnover - Days	57	79	108	88	84	86
Debtor turnover Ratio - Days	60	57	52	36	40	41
Creditor turnover Ratio - Days	22	35	31	35	50	47
Operating Cycle	95	101	129	89	74	80
Liquidity Ratios						
Current Ratio	3.37:1	3.94:1	3.89:1	3.80:1	2.33:1	2.03:1
Quick Ratio	2.83:1	3.37:1	3.08:1	2.99:1	1.77:1	1.43:1
Cash to Current Liabilities	0.20:1	0.41:1	0.12:1	0.20:1	0.15:1	0.11:1
Cash flow from operations to Sales	0.16:1	0.29:1	0.10:1	0.15:1	0.20:1	0.23:1
Capital Structure Ratios						
Long Term Debt to Equity	0.00:1	0.00:1	0.00:1	0.00:1	0.01:1	0.05:1
Long Term Debt to Asset	0.00:1	0.00:1	0.00:1	0.00:1	0.01:1	0.04:1
Debt Equity Ratio / Financial Leverage Ratio	0.00:1	0.00:1	0.00:1	0.00:1	0.01:1	0.05:1
Interest cover ratio	445:1	255:1	367:1	101:1	35:1	20:1
Weighted Average Cost of Debt	7.22%	5.37%	5.13%	6.57%	9.67%	9.69%
Investment / Market Ratios						
No. of Shares in issue - No.	59,256	59,256	59,256	59,256	59,256	49,380
Bonus Shares Issued - No.	-	-	-	-	-	9,876
Cash Dividend per share (Rs.)	8.25	8.00	8.00	7.50	6.00	5.00
EPS - before tax (Rs.)	19.56	14.96	22.01	15.41	11.87	10.31
EPS - after tax (Rs.)	13.03	9.63	15.82	10.65	8.54	6.95
Break-up value per share (Rs.) :						
- Without Surplus on Revaluation on Fixed Assets	83.34	79.41	77.64	71.71	67.84	61.93
- With Surplus on Revaluation on Fixed Assets						
Price Earning Ratio - Year end Price (Rs.)	712:1	12.57:1	9.22:1	9.92:1	10.37:1	10.07:1
Price to Book Ratio	0.90:1	1.22:1	1.52:1	1.19:1	1.02:1	0.71:1
Earning Yield - Year end Price %	14.04%	7.95%	10.84%	10.08%	9.64%	9.93%
Dividend Payout %	63%	83%	50.56%	70.45%	70.28%	83.93%
Dividend Yield - Year end Price Ratio	0.09:1	0.07:1	0.05:1	0.07:1	0.07:1	0.10:1
Dividend Cover - Times	1.58	1.20	1.98	1.42	1.42	1.19
SHARE PERFORMANCE						
Share Price - Highest (Rs.)	127.00	170.00	176.75	106.50	90.00	82.00
Share Price - Lowest (Rs.)	78.00	115.49	87.10	74.50	61.00	48.92
Share Price - Average (Rs.)	102.50	142.75	131.93	90.50	75.50	65.46
Share Price - At year end (Rs.)	92.79	121.02	145.95	105.59	88.56	70.00
Market Capitalization - Year end Price - (Rs '000)	5,498,351	7,171,144	8,648,393	6,256,826	5,247,699	3,456,592
Turnover of shares	2,620,600	3,672,400	10,667,500	2,042,000	4,594,500	4,603,000
PRODUCTION (Ton)						
Banknote Paper	3,214	2,692	2,334	2,184	1,760	1,714
Non-Banknote Paper	505	581	488	473	450	691
Total	3,719	3,273	2,822	2,657	2,210	2,405



Analysis of Financial Statements

PARTICULARS	2019	2018 Restated	2017 Restated	2016	2015	2014
SALES (Ton)						
Banknote Paper	3,215	2,712	2,385	2,176	1,750	1,686
Non-Banknote Paper	511	591	473	482	486	713
Total	3,726	3,303	2,858	2,658	2,236	2,399
CASH FLOWS SUMMARY						
Cash Flows from Operating activities	641,961	1,014,309	272,273	394,212	436,027	519,619
Net Cash used in investing activities	(380,817)	(317,087)	134,396	87,497	(78,719)	(93,086)
Net cash used in financing activities	(461,881)	(396,502)	(449,104)	(448,887)	(325,978)	(380,565)
Cash and cash equivalents at beginning of the year	405,650	104,930	147,365	114,543	83,213	37,245
Cash and cash equivalents at end of the year	204,913	405,650	104,930	147,365	114,543	83,213

* Proposed final cash dividend announced subsequent to the year end of Rs.429.61 million (i.e. Rs.7.25 /- per share) is reflected in the above data as referred to in note 39 of the financial statements.

** Long term security deposit has been reclassified to advance , deposits & prepayments as disclosed in note no: 40.1

Comments on Ratio Analysis

Profitability Ratios

Higher production and sales during the year resulted in overall higher profitability during the year as compared to last years. EBITDA in rupees increased by Rs: 279 million to Rs: 1,378 million due to higher sales volume and operational efficiencies. Return on Equity and return on capital employed ratios are also improved compared to same period last year.

Activity / Turnover Ratios

During the year company has shown very healthy stock turn over ratio of 6.40 (times) with cover of 57 days. Debtors turnover ratio has slightly increased from 57 days in 2018 to 60 days in 2019.

Creditors turnover ratio is improved to 22 days from 35 days reported in 2018. Return on assets and Assets turn over ratio are also showing healthy trends during the year.

Liquidity Ratios

Current ratio and quick ratio decreased slightly from 3.94: 1 and 3.37: 1 in 2018 to 3.37:1 and 2.83: 1 in 2019 mainly due to decrease in short-term investments. Nonetheless, overall liquidity position remains strong and reliance on inventory remains low.

Capital Structure Ratios

Debt Equity, long term debt to equity and long term debt to assets ratio is maintained at 0.00:1 as the leverage position was kept to its minimum.

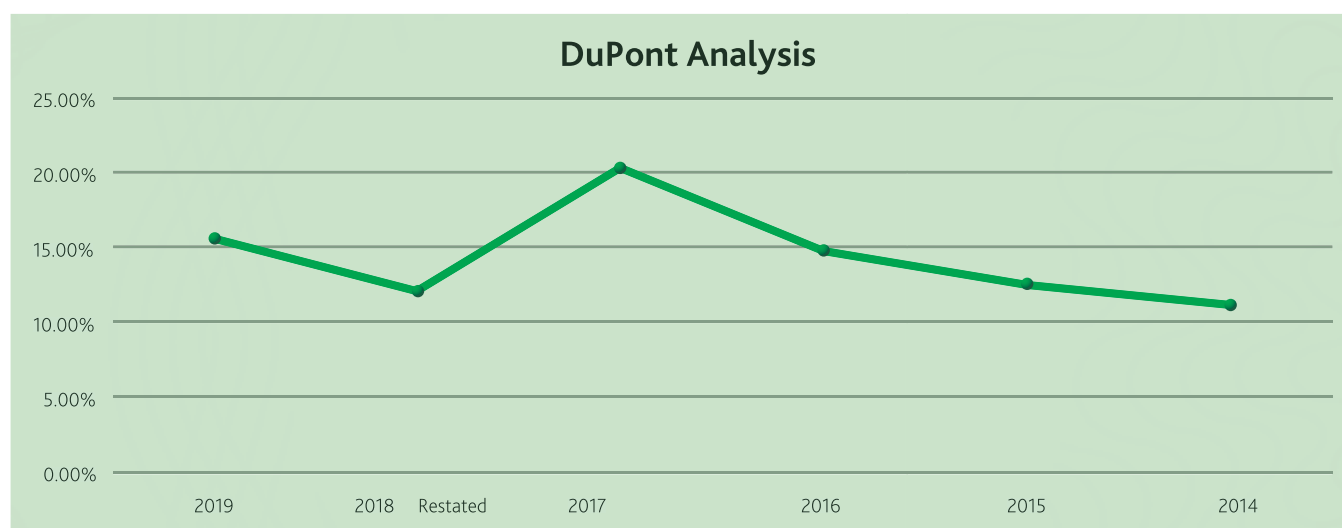
Investment / Market Ratios

Earning per share has been showing a rising trend due to increase in net income over the periods. In 2019, EPS stood at Rs: 13.03 as against Rs: 9.63 in 2018. Earning yield has also improved to 14.04% in 2019 from 7.95% reported in 2018, mainly due to improved profitability. However, in line with declining trend in the stock market the average market share price has decreased in 2019.



DuPont Analysis

	2019	2018 Restated	2017	2016	2015	2014
Net Profit Margin (Net Income / Sales)	19.29%	16.45%	32.99%	24.42%	23.63%	18.42%
Asset Turnover (Sales / Total Assets)	0.66	0.59	0.50	0.49	0.42	0.46
Equity Multiplier (Total Assets / Total Equity)	1.23	1.25	1.23	1.24	1.28	1.34
Return on Equity	15.63%	12.12%	20.38%	14.85%	12.58%	11.22%



Comments on DuPont Analysis

Profit After Tax increased by 35% as compared to the last year mainly due to higher sales revenue and operational efficiencies.

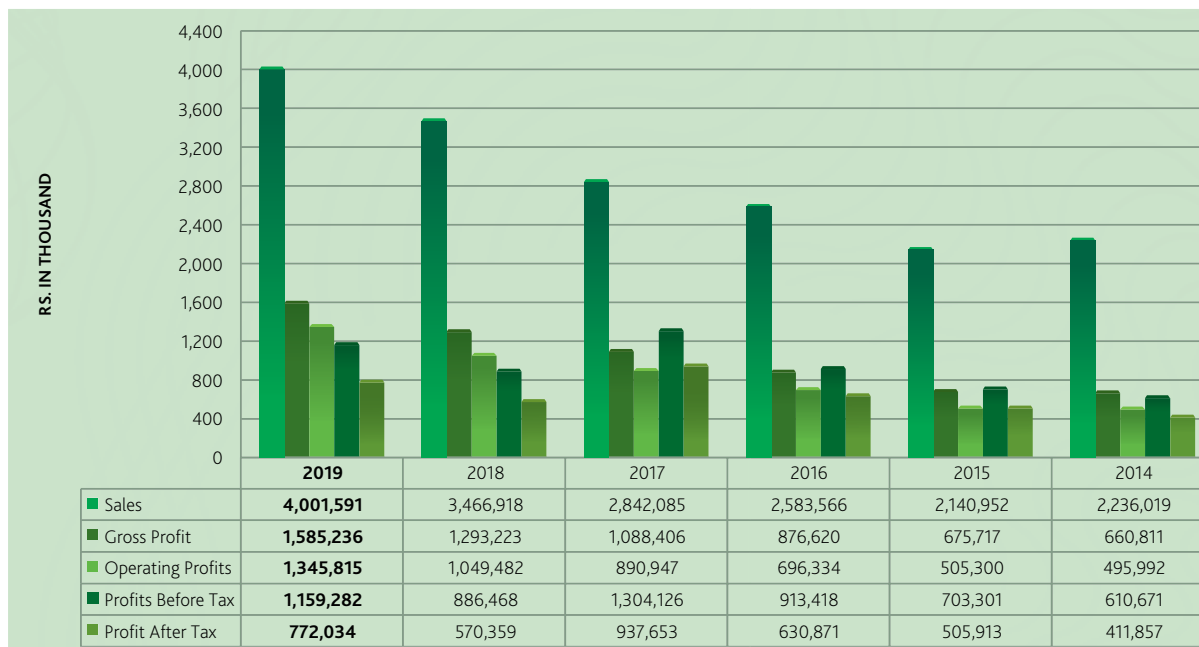
Asset turnover ratio was higher mainly due to higher demand for banknote paper thus resulting in better utilization of fixed assets.

Financial leverage position was kept to its minimum which shows assets are mainly financed by the shareholders.

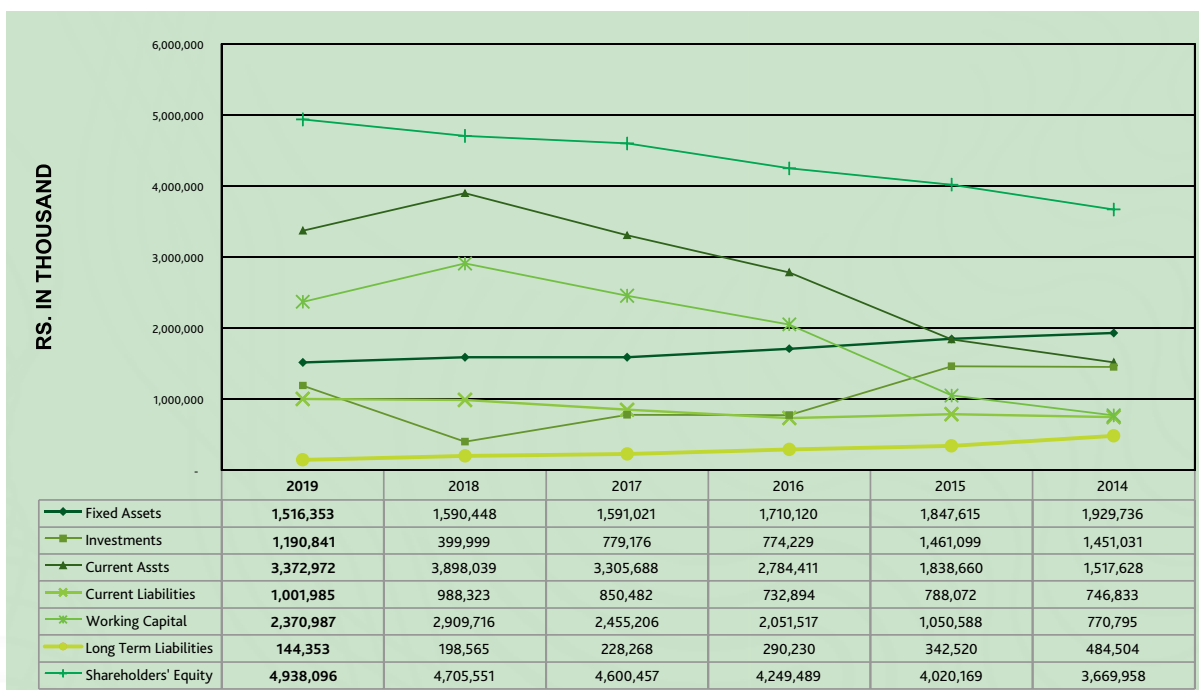


Graphical Presentation of Financial Statements & Share Performance

STATEMENT OF PROFIT OR LOSS



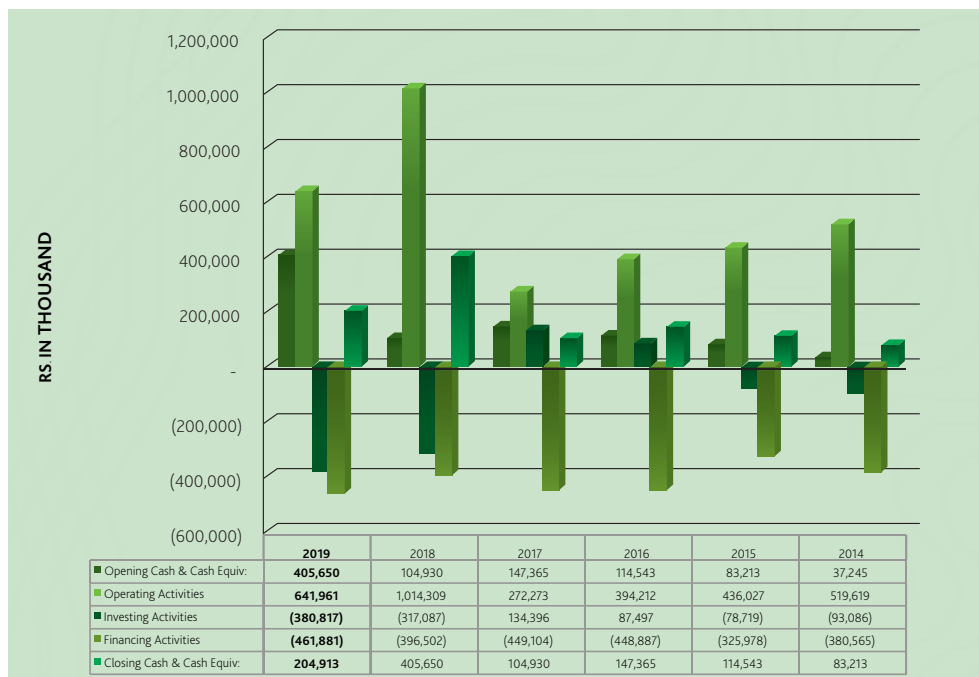
STATEMENT OF FINANCIAL POSITION



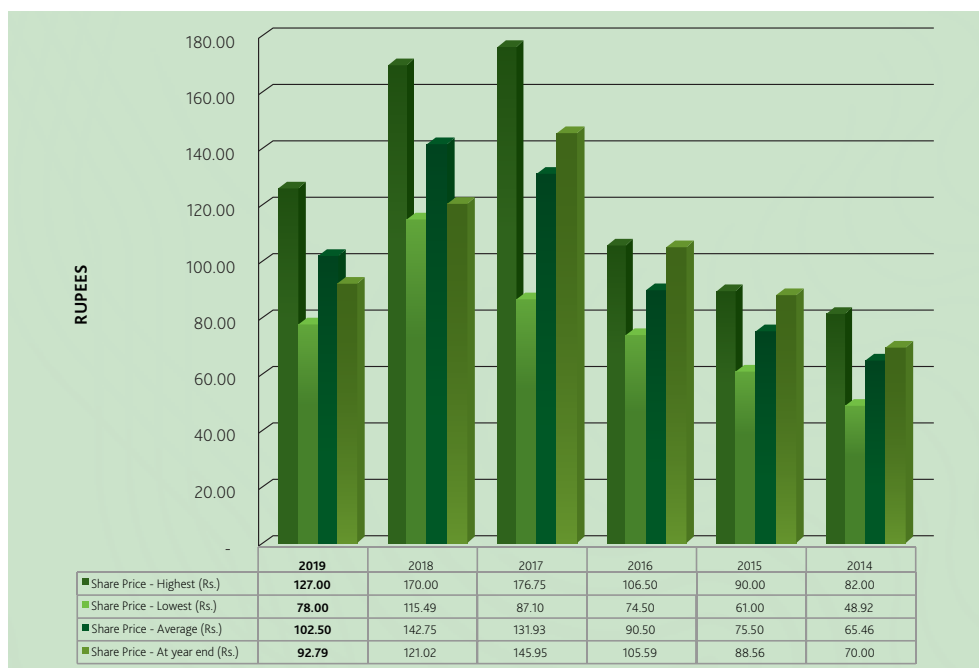


Graphical Presentation of Financial Statements & Share Performance

STATEMENT OF CASH FLOWS



SHARE PERFORMANCE





Analysis of the Financial and Non-Financial Performance

Financial metrics include revenue, costs, profitability, gearing, liquidity, return on assets etc. Key performance indicators are used to measure progress in essential areas of Company's performance. Financial Statement metrics include current ratio, inventory turn over, debt to equity ratio and earnings per share.

During the year under review, the Company earned profit after tax of Rs. 772 Million and achieved highest ever sales revenue of Rs. 4,002 Million. The profit after tax was pulled down as the Company witnessed an increase in unrealized capital loss to the tune of Rs. 246 Million which is included in other charges. The Management has initiated a capital intensive Water Recycling Project which is under execution phase. The Project is capable to recycle 300,000 gallons water per day and improve compliance of environmental standards.

Non financial Key Performance Indicators are other measures used to assess the activities that the Company sees as important to the achievement of its strategic objectives. Non-financial metrics are quantitative measures that relates to employees, customers relationship, quality, cycle time etc.,

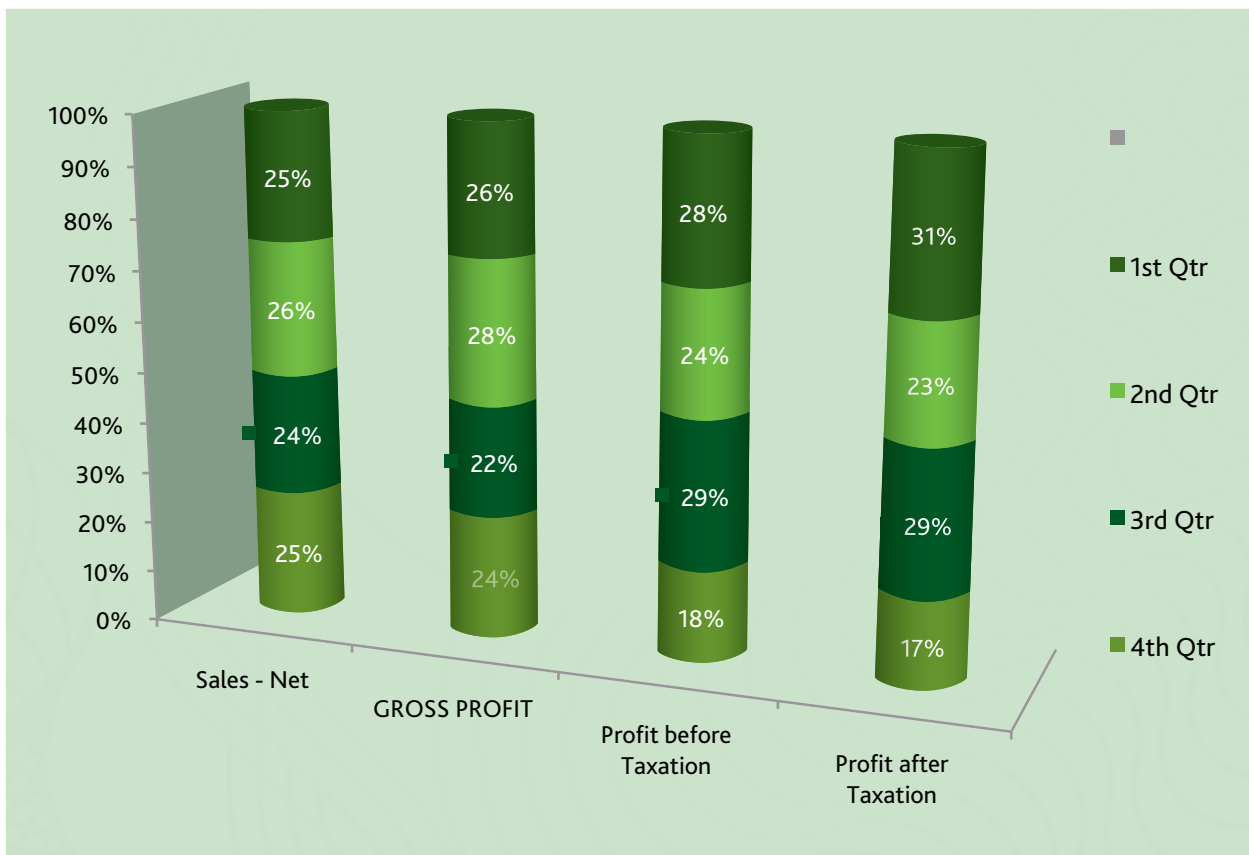
During the year the Human Resources (HR) department was focused on building talent for future through a Performance Measurement System. Key Performance Indicators played an important role in the measurement of progress of the Organization towards attainment of its goals.

Quality Control department receives Customers' feed back and highlights the areas of improvement. The Company measures customer satisfaction/complaint systematically by giving timely feed back to its customers.



Quarterly Performance Analysis

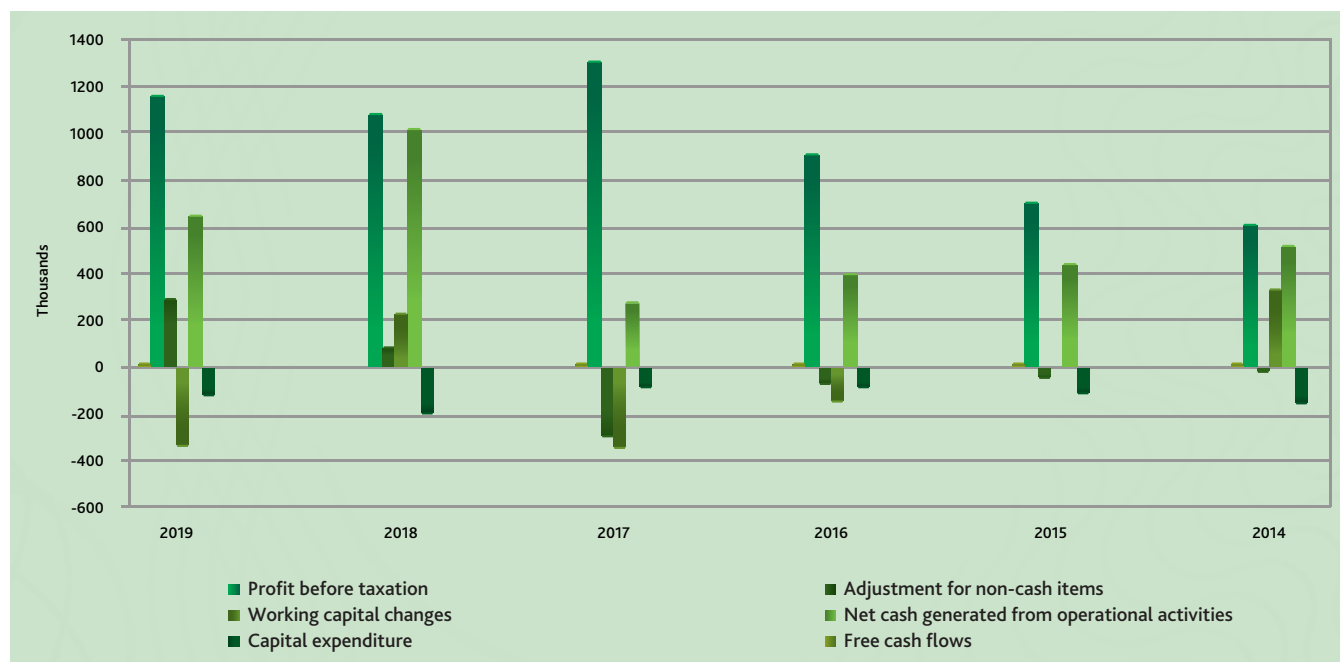
	Jun-19	Mar-19	Dec-18	Sep-18	Total
	(Rupees in '000)				
Sales - Net	989,344	948,320	1,054,289	1,009,638	4,001,591
Cost of Goods Sold	(606,941)	(600,644)	(605,962)	(602,808)	(2,416,355)
GROSS PROFIT	382,403	347,676	448,327	406,830	1,585,236
Administrative Expense	(51,623)	(57,661)	(66,462)	(63,675)	(239,421)
Other Charges	(227,143)	50,371	(132,108)	(50,209)	(359,089)
Other Income	107,806	917	34,528	32,398	175,649
OPERATING PROFIT	211,443	341,303	284,285	325,344	1,162,375
Finance Cost	(412)	(1,067)	(870)	(744)	(3,093)
PROFIT BEFORE TAXATION	211,031	340,236	283,415	324,600	1,159,282
Taxation	(76,753)	(117,426)	(105,049)	(88,020)	(387,248)
PROFIT AFTER TAXATION	134,278	222,810	178,366	236,580	772,034





Statement of Free Cash Flows

	2019	2018 Restated	2017	2016	2015	2014
----- (Rupees in '000) -----						
Profit before taxation	1,159,282	886,468	1,304,126	913,418	703,301	610,671
Adjustment for non-cash items	296,483	270,291	(300,248)	(80,798)	(53,587)	(26,814)
Taxes Paid	(467,841)	(371,565)	(381,554)	(286,164)	(203,125)	(195,739)
Working Capital Changes	(345,963)	229,115	(350,051)	(152,244)	(10,562)	131,501
Net cash generated from operational activities	641,961	1,014,309	272,273	394,212	436,027	519,619
Capital expenditure	(127,126)	(194,495)	(83,049)	(66,159)	(118,333)	(161,706)
Free cash flows	514,835	819,814	189,224	328,053	317,694	357,913





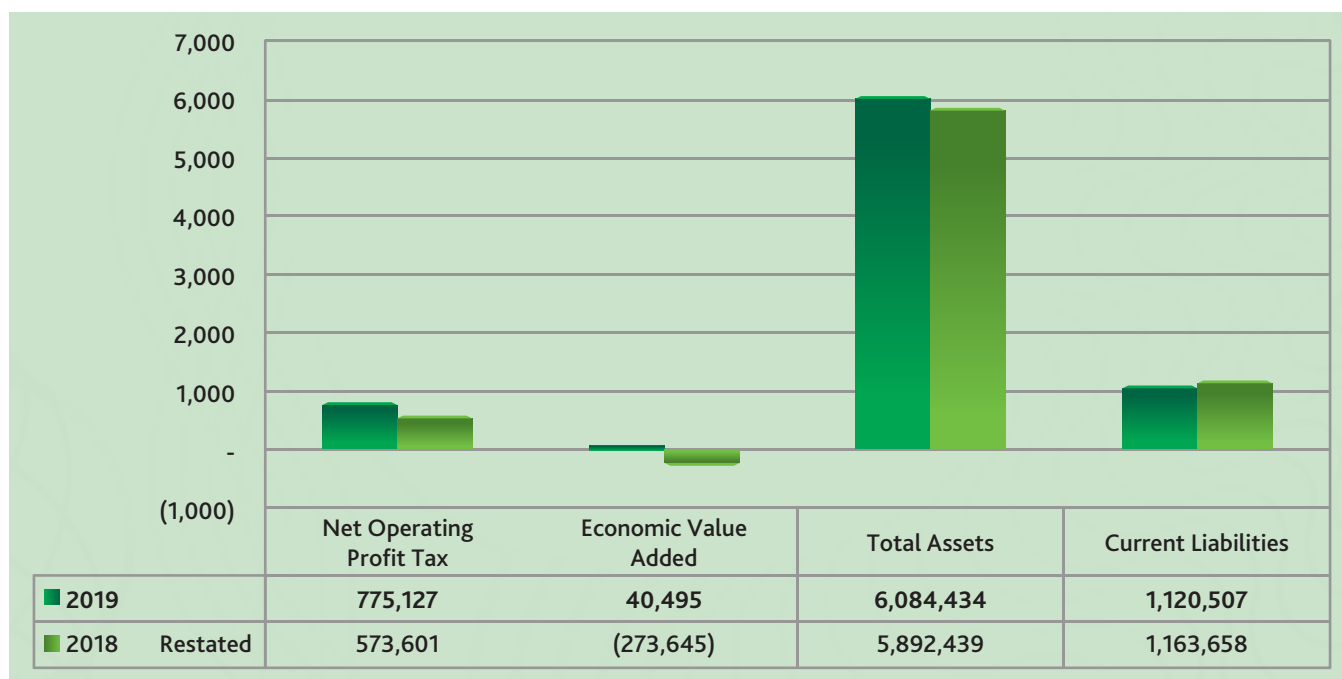
Statement of Cash Flows - Direct Method

	2019	2018 Restated
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from Customers	4,431,350	4,062,002
Cash paid to suppliers and employees	(3,320,148)	(2,672,620)
Cash generated from operations	1,111,202	1,389,382
Net income tax paid	(467,841)	(371,565)
Finance costs paid	(1,085)	(2,906)
Long-term deposits paid	(315)	(602)
Net Cash generated from operating activities	641,961	1,014,309
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(127,126)	(194,495)
Purchase of intangible assets	(655)	(1,385)
Proceeds from sale of operating fixed assets	2,538	1,732
Redemption of sukuk term finance certificates	2,816	3,429
Investment made during the year	(4,776,605)	(498,588)
Investment matured during the year	4,361,439	250,000
Realized capital loss on mutual fund	-	(1,506)
Dividend received on mutual fund	-	3,189
Mark-up received	156,776	120,537
Net cash used in investing activities	(380,817)	(317,087)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term running finance	33,280	54,372
Payments against lease obligations	(10,397)	(7,730)
Dividend paid	(484,764)	(443,144)
Net cash used in financing activities	(461,881)	(396,502)
Net increase/(decrease) in cash and cash equivalents	(200,737)	300,720
Cash and cash equivalents at beginning of the year	405,650	104,930
Cash and cash equivalents at end of the year	204,913	405,650



Economic Value Added

	2019	2018 Restated
	----- (Rupees in '000) -----	
Net Operating Profit after Tax	775,127	574,674
Cost of Capital	(734,632)	(847,246)
Economic Value Added	40,495	(272,572)
Total Assets	6,084,434	5,892,439
Current Liabilities	1,120,507	1,163,658
Invested Capital	4,963,927	7,056,097
Weighted Average Cost of Capital	14.80%	12.01%
Cost of Capital	734,632	847,246





Share Price Sensitivity Analysis

Following are some major factors which may influence performance of the company and its share price.

Energy Prices

The company has its own cogeneration power plant. Increase in energy rates and continuous appreciation of fuel prices affects the financial performance of the Company.

Exchange Rate Fluctuation

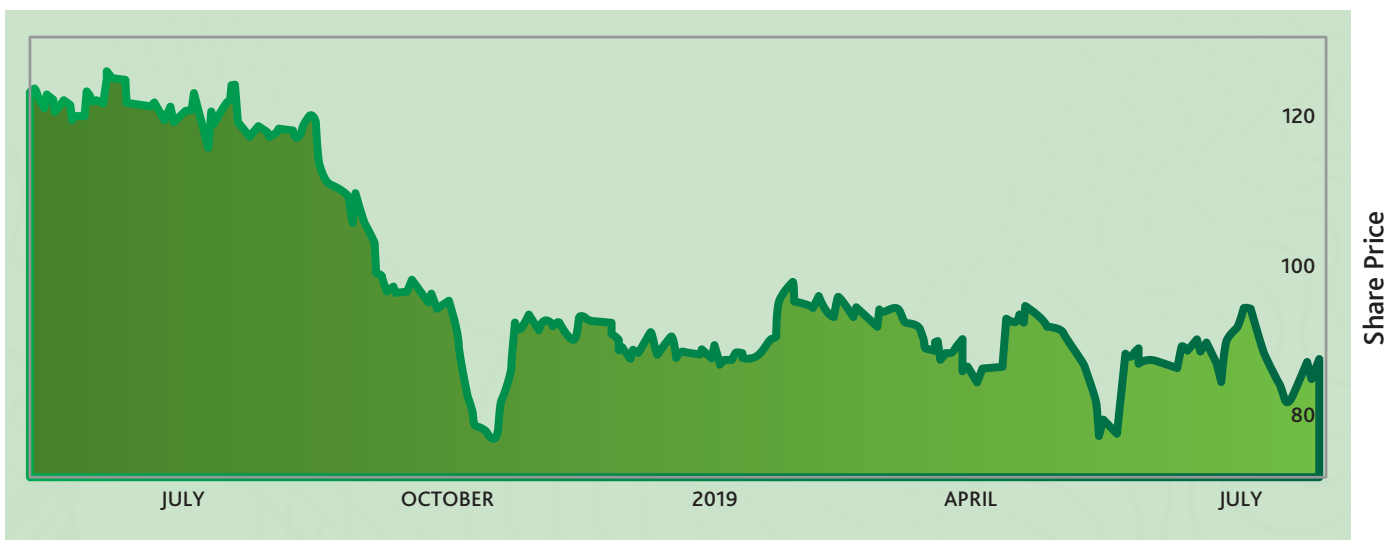
The Company is directly exposed to exchange rate fluctuations since the major raw materials such as security threads, invisible fibers and chemicals are imported by the company.

Plant Operations

The Company has state-of-the-art production facility. Any major break down in production facility may cause reduction in production and sales hence adversely affect the share price.

Raw Material Prices

The company's performance is directly influenced by sensitivity in raw material prices. There are various raw materials which are locally procured or imported by the company. Major raw material, such as cotton comber, is directly influenced by international cotton prices and local crop and hence affects the financial performance of the Company.



Source: Pakistan Stock Exchange (PSX)



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

Name of Company: **SECURITY PAPERS LIMITED**
Year Ended: **JUNE 30, 2019**

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

1. The total number of directors are ten as per the following:
 - a. Male: 10
 - b. Female: Not applicable for current term

2. The composition of the Board is as follows:

Category	Names
a) Independent Directors	Mr. Jamal Nasim Mr. Muhammad Ayub Sardar Ahmad Nawaz Sukhera
b) Other Non-executive Directors	Mr. Muhammad Haroon Rasheed Sheikh Mohammad Aijaz Akhtar Dr. Abolghassem Jamshidi Mr. Memet Ozyavuz Mr. Rauf Ahmad Mr. Naveed Ehtesham
c) Executive Director	Dr. Mohammad Ashraf Butt

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 the Board/shareholders as empowered by the relevant provisions of the Act and these Regulations.



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

7. The meetings of the Board were presided over by the Chairman of the Board. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the 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. One of the Directors was granted exemption by the Securities and Exchange Commission of Pakistan from the Certification requirement under the Listed Companies Code of Corporate Governance Regulations, 2017. Four Directors have already attended the Directors' training course. The remaining Directors are planned to attend the Directors' training course if required within the time limit as allowed under the Listed Companies Code of Corporate Governance Regulations, 2017.
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. However, the new Company Secretary appointed on March 11, 2019 has qualification of Masters of Arts in Economics from University of Karachi and has an experience of holding the same position for more than 6 years with a listed company. Subsequent to year end, the Company has applied to SECP to determine the suitability of such candidate.
11. CFO and CEO duly endorsed the financial statements before the approval of the Board.
12. The Board has formed the following Committees that are required under the Code. The Committees comprise of members as given below:
 - a) **Audit Committee:**
 - Mr. Jamal Nasim – Chairman
 - Sheikh Mohammad Aijaz Akhtar
 - Dr. Abolghassem Jamshidi
 - Sardar Ahmad Nawaz Sukhera
 - Mr. Muhammad Ayub
 - Mr. Naveed Ehtesham
 - b) **HR and Remuneration Committee:**
 - Mr. Jamal Nasim - Chairman
 - Mr. Muhammad Haroon Rasheed
 - Dr. Mohammad Ashraf Butt
 - Sheikh Mohammad Aijaz Akhtar
 - Mr. Rauf Ahmad



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

c) Board Investment and Risk Management Committee:

Sardar Ahmad Nawaz Sukhera - Chairman

Dr. Mohammad Ashraf Butt

Mr. Muhammad Ayub

Dr. Abolghassem Jamshidi

Mr. Naveed Ehtesham

d) Nomination Committee (No separate committee formed, as its issues are deliberated in Board meetings)

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.
14. The frequency of meetings of the committee were as per following:

a) Audit Committee	06 Meetings were held during FY 2018-19
b) HR and Remuneration Committee	11 Meetings were held during FY 2018-19
c) Board Investment and Risk Management Committee	06 Meetings were held during FY 2018-19

During the year, four meetings of Investment Committee and one meeting of Risk Management Committee were held before consolidation of Investment and Risk Management Committee on November 2, 2018 as a single committee. Subsequently, one meeting of Investment and Risk Management Committee was held.

15. The Board has set up an effective internal audit function. The Head of Internal Audit is considered suitably qualified and experienced for the purpose and is 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 Institute of Chartered Accountants of Pakistan (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.



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

18. The Company continued to present the details of all related party transactions as disclosed in the financial statements before the Board Audit Committee and upon their recommendation to the Board for review and approval. The Company also has in place a process to identify the related parties and related transactions entered into with them. However, full compliance of the requirements as laid down in Section 208 of the Companies Act, 2017 is dependent on clarification from SECP with respect to definition of related parties.
19. The Company has complied with the requirements relating to maintenance of Register of persons having access to inside information by a designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said Register.
20. We confirm that all other requirements of the Regulations have been complied with.

MUHAMMAD HAROON RASHEED
Chairman

Karachi
Dated: 26th July 2019

FINANCIAL STATEMENTS







KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

INDEPENDENT AUDITORS' REVIEW REPORT

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 (the Company) for the year ended 30 June 2019 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.



KPMG Taseer Hadi & Co.

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 2019.

Karachi

Date: 31 July 2019


KPMG Taseer Hadi & Co.
Chartered Accountants



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INDEPENDENT AUDITORS' REPORT

To the members of Security Papers Limited

Report on the Audit of 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 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and 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 purpose 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 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 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 2019 and of the profit and other comprehensive loss, 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 the 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 Matter

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.



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Following is the Key audit matter:

Key audit matter	How the matter was addressed in our audit
Revenue Recognition: Sales of goods to a related party	
<p>Refer to note 21 to the financial statements and the accounting policy in note 4.22 to the financial statements.</p> <p>The Company generated revenue of Rs. 4,002 million (2018: Rs. 3,467 million), which constitutes Rs. 3,494 i.e. 87% (2018: Rs. 3,075 i.e. 83%) of total sales to Pakistan Security Printing Corporation (Private) Limited (PSPC) which is also a significant shareholder with 40.03% in equity based on cost plus pricing arrangement. Under this arrangement provisional pricing agrees at the beginning of the financial year which is subject of final adjustment at year end if any.</p> <p>We identified revenue recognition: sales of goods to a related party as key audit matter because of significant sale is made to PSPC under a cost plus pricing arrangement and its recognition in appropriate period which could potentially impact the operating results of the Company.</p>	<p>Our audit procedures in respect of recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> obtaining an understanding of and testing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period based on at prevailing agreed price under cost plus pricing arrangement; assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting and reporting standards as applicable in Pakistan; Reviewing approved agreements with PSPC to understand the nature and terms and conditions of transactions; Testing revenue transactions recorded during the current year, on a sample basis to assess whether the revenue transactions are recorded in appropriate period based on agreed prices and underlying documents.



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Key audit matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> Obtaining confirmation from PSPC for transactions and balances. Assessing the adequacy of the disclosures in respect of the accounting and disclosures in accordance with the requirements of the accounting and reporting standards as applicable in Pakistan.

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 Company's Annual Report for 2019, 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.

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 accounting and reporting standards as applicable in Pakistan and 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.



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The 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 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.



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- 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 and 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;
- 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.



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Other Matters

The financial statements of the Company for the year ended 30 June 2018 were audited by another firm of professional accountants who through their reports dated 31 July 2018, expressed an unmodified opinion thereon.

The engagement partner on the audit resulting in this independent auditors' report is Muhammad Nadeem.

Date: 31 July 2019

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants



Statement of Financial Position

As at 30 June 2019

	Note	30 June 2019	30 June 2018 (Re-stated)	01 July 2017 (Re-stated)
			(Rupees in '000)	
ASSETS				
Non-current assets				
Property, plant and equipment	5	1,514,757	1,589,119	1,591,021
Intangible assets	6	1,596	1,329	-
Long-term investments	7	1,190,841	399,999	779,176
Lease deposits		4,268	3,953	3,322
		<u>2,711,462</u>	<u>1,994,400</u>	<u>2,373,519</u>
Current assets				
Stores, spare parts and loose tools	8	182,517	173,275	138,633
Stock-in-trade	9	363,770	391,166	548,554
Trade debts - considered good	10	903,510	626,610	631,879
Loans, advances, deposits, prepayments and other receivables	11	86,598	50,394	76,432
Interest accrued	12	45,120	45,241	47,648
Investments	13	1,586,544	2,205,703	1,832,612
Cash and bank balances	14	204,913	405,650	29,930
		<u>3,372,972</u>	<u>3,898,039</u>	<u>3,305,688</u>
TOTAL ASSETS		<u>6,084,434</u>	<u>5,892,439</u>	<u>5,679,207</u>
EQUITY AND LIABILITIES				
Share Capital And Reserves				
Authorised share capital		700,000	700,000	700,000
70,000,000 (2018: 70,000,000) ordinary shares of Rs. 10 each				
Issued, subscribed and paid-up capital		592,559	592,559	592,559
59,255,984 ordinary shares of Rs. 10 each	15			
Revenue reserves				
General reserves		3,937,879	3,673,519	3,209,919
Unappropriated profits		407,658	439,473	797,979
		<u>4,345,537</u>	<u>4,112,992</u>	<u>4,007,898</u>
Total Shareholders' equity		<u>4,938,096</u>	<u>4,705,551</u>	<u>4,600,457</u>
Non-current liabilities				
Liabilities against assets subject to finance lease	16	18,735	16,441	11,908
Deferred taxation - net	17	125,618	182,124	216,360
		<u>144,353</u>	<u>198,565</u>	<u>228,268</u>
Current liabilities				
Trade and other payables	18	540,252	584,866	512,523
Accrued mark-up		116	12	82
Short-term running finance	19	88,030	54,618	-
Current maturity of long term loan		-	-	1,212
Unclaimed dividend		1,832	8,797	7,912
Unpaid dividend		255,965	200,460	170,441
Current portion of liabilities against assets subject to finance lease	16	7,096	6,789	5,538
Taxation - net		108,694	132,781	152,774
		<u>1,001,985</u>	<u>988,323</u>	<u>850,482</u>
Total liabilities		<u>1,146,338</u>	<u>1,186,888</u>	<u>1,078,750</u>
Contingencies and commitments	20			
TOTAL EQUITY AND LIABILITIES		<u>6,084,343</u>	<u>5,892,439</u>	<u>5,679,207</u>

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

Dr. Mohammad Ashraf Butt
Chief Executive Officer

Rizwan-ul-Haq Khan
Chief Financial Officer

Jamal Nasim
Director



Statement of Profit or Loss

For the year ended 30 June 2019

		2019	2018 (Re-stated)
	Note	----(Rupees in '000)----	
Sales - net	21	4,001,591	3,466,918
Cost of sales	22	(2,416,355)	(2,173,695)
Gross profit		1,585,236	1,293,223
Administrative expenses	23	(239,421)	(243,741)
Other income	24	175,649	133,140
Other charges	25	(359,089)	(291,839)
Finance costs	26	(3,093)	(4,315)
Profit before taxation		1,159,282	886,468
Taxation - net	27	(387,248)	(316,109)
Profit after taxation		772,034	570,359
		----(Rupees)----	
Earnings per share (basic and diluted)	28	13.03	9.63

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

Dr. Mohammad Ashraf Butt
Chief Executive Officer

Rizwan-ul-Haq Khan
Chief Financial Officer

Jamal Nasim
Director



Statement of Other Comprehensive Income

For the year ended 30 June 2019

	2019	2018 (Re-stated)
	----(Rupees in '000)----	
Profit after taxation	772,034	570,359
Other comprehensive income		
<i>Item that will not be reclassified to profit or loss</i>		
Remeasurement (loss) / gain on defined benefit plan (note 29.1.3)	(6,185)	8,783
Total comprehensive income for the year	<u>765,849</u>	<u>579,142</u>

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

Dr. Mohammad Ashraf Butt
Chief Executive Officer

Rizwan-ul-Haq Khan
Chief Financial Officer

Jamal Nasim
Director



Statement of Changes in Equity

For the year ended 30 June 2019

Issued, subscribed and paid-up share capital	Revenue reserves				Total equity
	General reserves	Unappropriated profit	Remeasurement of investments classified as available for sale	Total	

----- (Rupees in '000) -----

Balance as at 30 June 2017 as previously reported	592,559	3,209,919	944,451	(146,472)	4,007,898	4,600,457
Effect of change in accounting policy - note 4.1	-	-	(146,472)	146,472	-	-
Balance as at 01 July 2017 as restated	592,559	3,209,919	797,979	-	4,007,898	4,600,457
Total comprehensive income for the year ended 30 June 2018						
Profit for the year as restated	-	-	570,359	-	570,359	570,359
Other comprehensive income as restated	-	-	8,783	-	8,783	8,783
	-	-	579,142	-	579,142	579,142
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)	-	-	-
Balance as at 30 June 2018 as restated	592,559	3,673,519	439,473	-	4,112,992	4,705,551
Balance as at 30 June 2018 as previously reported	592,559	3,673,519	753,998	(314,525)	4,112,992	4,705,551
Effect of change in accounting policy - note 4.1	-	-	(314,525)	314,525	-	-
Balance as at 30 June 2018 as restated	592,559	3,673,519	439,473	-	4,112,992	4,705,551
Total comprehensive income for the year ended 30 June 2019						
Profit for the year	-	-	772,034	-	772,034	772,034
Other comprehensive income	-	-	(6,185)	-	(6,185)	(6,185)
	-	-	765,849	-	765,849	765,849
Transactions with owners						
Final cash dividend @ Rs. 8.00 per ordinary share for the year ended 30 June 2018	-	-	(474,048)	-	(474,048)	(474,048)
Interim cash dividend @ Rs. 1.00 per ordinary share for the year ended 30 June 2019	-	-	(59,256)	-	(59,256)	(59,256)
Transfer to general reserves	-	264,360	(264,360)	-	-	-
Balance as at 30 June 2019	592,559	3,937,879	407,658	-	4,345,537	4,938,096

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

Dr. Mohammad Ashraf Butt
Chief Executive Officer

Rizwan-ul-Haq Khan
Chief Financial Officer

Jamal Nasim
Director



Statement of Cash Flows

For the year ended 30 June 2019

		2019	2018
		(Rupees in '000)	(Re-stated)
Note		----	----
CASH FLOWS FROM OPERATING ACTIVITIES			
	33	1,111,202	1,389,382
Cash generated from operations		(315)	(602)
Lease deposits paid		(467,841)	(371,565)
Taxes paid		(1,085)	(2,906)
Finance costs paid		641,961	1,014,309
Net cash generated from operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(127,126)	(194,495)
Purchase of intangible assets		(655)	(1,385)
Proceeds from sale of operating fixed assets		2,538	1,732
Redemption of sukuk term finance certificates		2,816	3,429
Investment made during the year		(4,776,605)	(498,588)
Investment matured during the year		4,361,439	250,000
Realized capital loss on mutual fund		-	(1,506)
Dividend received on mutual fund		-	3,189
Mark-up received		156,776	120,537
Net cash generated used in investing activities		(380,817)	(317,087)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term running finance		33,280	54,372
Payments against lease obligations		(10,397)	(7,730)
Dividend paid		(484,764)	(443,144)
Net cash used in financing activities		(461,881)	(396,502)
Net increase/(decrease) in cash and cash equivalents		(200,737)	300,720
Cash and cash equivalents at beginning of the year		405,650	104,930
Cash and cash equivalents at end of the year	34	204,913	405,650

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

Dr. Mohammad Ashraf Butt
Chief Executive Officer

Rizwan-ul-Haq Khan
Chief Financial Officer

Jamal Nasim
Director



Notes to the Financial Statements

For the year ended 30 June 2019

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.

2. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS DURING THE YEAR

- During the year under review major customer of the Company, Pakistan Security Printing Corporation (Pvt) Limited (PSPC) has placed indent for Bank note and Prize bond paper about 19% higher than the current period. As a result total sales revenue recorded a growth of 15.42% as compared to last year.
- During the year, the Company has suffered unrealised loss of Rs. 245.697 million due to decline in net asset value of units of mutual funds as a result of decline in KSE-100 Index in current year from 41,734 to 33,902 points
- Director's report contain details about the Company's performance.

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. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFASs) issued by Institute of Chartered Accountant of Pakistan as are notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards or IFASs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 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.

3.3 Basis of measurement

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

3.4 Use of Estimates and Judgments

In preparing these financial statements, management has made judgment, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognized prospectively. Information about judgments made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements to the carrying amount of



Notes to the Financial Statements

For the year ended 30 June 2019

the assets and liabilities and assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the subsequent year are set forth below:

- Property, plant and equipment (refer note 4.2)
- Impairment (refer note 4.5 and 4.9)
- Classification of investments (refer note 4.6)
- Stores, spares and loose tools and stock-in-trade (refer note 4.14 and 4.15)
- Provisions (refer note 4.17)
- Employee benefits (refer note 4.18 and 4.19)
- Taxation (refer note 4.23)

3.5 New or Amendments / Interpretations to Existing Standards, Interpretation and Forthcoming Requirements

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2018 other than those disclosed in note 4.1, are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not stated in these financial statements.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

3.5.1.1 IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The management is in the process of analysing the potential impacts on adoption of this standard.

3.5.1.2 IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Company's financial statements.

3.5.1.3 Amendment to IFRS 9 'Financial Instruments' - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion - i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Company's financial statements.



Notes to the Financial Statements

For the year ended 30 June 2019

- 3.5.1.4** Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company's financial statements.
- 3.5.1.5** Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Company's financial statements.
- 3.5.1.6** Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- 3.5.1.7** Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- 3.5.1.8** On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- 3.5.1.9** Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.



Notes to the Financial Statements

For the year ended 30 June 2019

- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on the Company's financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the significant accounting policies consistently applied in the preparation of these financial statements are the same as those applied in earlier periods presented.

4.1 Changes in significant accounting policies

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 01 July 2018 which are effective from annual periods beginning on or after 01 July 2018 and for reporting period / year ending on or after 30 June 2019 respectively.

The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

4.1.1 IFRS 15 'Revenue from Contracts with Customers'

On 28 May 2014, the International Accounting Standards Board ("IASB") issued International Financial Reporting Standards ("IFRS") 15 "Revenue From Contracts with Customers" which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are made rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and the number of revenue related interpretations.

The Company manufactures and contracts with customers for the sale of bank-note and non-bank note security documents which generally include single performance obligation. The management has concluded that revenue from sale of goods be recognised at the point in time when control of the asset is transferred to the customer, which is when the goods are dispatched to the customer. Invoices are generated and revenue is recognised at that point in time, as the control has been transferred to the customers. Invoices are usually payable within 30 days. No discounts, sales commission and return are offered. The above is generally consistent with the timing and amounts of revenue the Company recognised in accordance with the previous standard, IAS 18. Therefore, the adoption of IFRS 15 which replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations, did not have an impact on the timing and amounts of revenue recognition of the Company. Therefore, adoption of IFRS 15 at 01 July 2018, did not have an effect on the financial statements of the Company.

4.1.2 IFRS 9 'Financial Instruments'

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively. The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:



Notes to the Financial Statements

For the year ended 30 June 2019

i Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available for sale. IFRS 9, classifies financial assets in the following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held; and
- The designation and revocation of previous designation of certain financial assets as measured at FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in the statement of profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The adoption of IFRS 9 did not have a significant effect on the Company's accounting policies related to financial liabilities.

The accounting policies that apply to financial instruments are stated in note 4.6 to the financial statements.



Notes to the Financial Statements

For the year ended 30 June 2019

The following table explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at 30 June 2018 and 01 July 2017:

	Original classification under IAS 39	New classification under IFRS 9	Original Carrying Amount ----(Rupees in '000)----	New Carrying Amount
As at 30 June 2018				
Investments				
- Pakistan investment bonds	Held to maturity	Amortized cost	1,184,760	1,184,760
- Treasury bills	Held to maturity	Amortized cost	98,589	98,589
- Term finance certificates	Available for sale	FVTPL	2,112	2,112
- Units of mutual funds	Available for sale	FVTPL	1,320,241	1,320,241
			<u>2,605,702</u>	<u>2,605,702</u>
Lease deposits	Loans and receivables	Amortized cost	3,953	3,953
Trade debts - considered good	Loans and receivables	Amortized cost	626,610	626,610
Loans, deposits and other receivables	Loans and receivables	Amortized cost	13,593	13,593
Interest accrued	Loans and receivables	Amortized cost	45,241	45,241
Cash and bank balances	Loans and receivables	Amortized cost	405,650	405,650
Total financial assets			<u><u>3,700,749</u></u>	<u><u>3,700,749</u></u>
As at 01 July 2017				
Investments				
- Pakistan investment bonds	Held to maturity	Amortized cost	779,176	779,176
- Term deposit receipts	Held to maturity	Amortized cost	325,000	325,000
- Term finance certificates	Available for sale	FVTPL	4,683	4,683
- Units of mutual funds	Available for sale	FVTPL	1,502,929	1,502,929
			<u>2,611,788</u>	<u>2,611,788</u>
Lease deposits	Loans and receivables	Amortized cost	3,322	3,322
Trade debts - considered good	Loans and receivables	Amortized cost	631,879	631,879
Loans, deposits and other receivables	Loans and receivables	Amortized cost	24,022	24,022
Interest accrued	Loans and receivables	Amortized cost	47,648	47,648
Cash and bank balances	Loans and receivables	Amortized cost	29,930	29,930
Total financial assets			<u><u>3,348,589</u></u>	<u><u>3,348,589</u></u>

Retrospective application of changes in classification of financial assets due to adoption of IFRS 9 has had the following effects on the amounts presented for 30 June 2018 and 01 July 2017:



Notes to the Financial Statements

For the year ended 30 June 2019

	As previously reported	Adjustments as per IFRS 9	As restated wih adoption of IFRS 9
	----- (Rupees in '000) -----		
Statement of Financial Position			
As at 30 June 2018			
Unappropriated profit	753,998	(314,525)	439,473
Re-measurement of investments classified as 'available for sale'	(314,525)	314,525	-
As at 01 July 2017			
Unappropriated profit	944,451	(146,472)	797,979
Re-measurement of investments classified as 'available for sale'	(146,472)	146,472	-
Statement of Profit or Loss			
For the year ended 30 June 2018			
Other charges	(98,422)	(193,417)	(291,839)
Profit before taxation	1,079,885	(193,417)	886,468
Taxation - net	(341,473)	25,364	(316,109)
Profit after taxation	738,412	(168,053)	570,359
Statement of Comprehensive Income			
For the year ended 30 June 2018			
Profit after taxation	738,412	(168,053)	570,359
Remeasurement gain on defined benefit plan (note 29.1.3)	8,783	-	8,783
Unrealised (depreciation) during the year on remeasurement of investments classified as available for sale' - net	(194,923)	194,923	-
Transferred to profit or loss account on redemption / disposal of investment classified as 'available for sale'	1,506	(1,506)	-
Impact of tax	25,364	(25,364)	-
Total comprehensive income for the year	579,142	-	579,142
Earnings per share (basic and diluted)	12.46		9.63

ii Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9 introduces a forward looking expected credit losses model, rather than the current incurred loss model, when assessing the impairment of financial assets in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.



Notes to the Financial Statements

For the year ended 30 June 2019

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Impairment losses related to trade and other receivables, are presented separately in the statement of profit or loss. Trade and other receivables are written off when there is no reasonable expectation of recovery. Management used actual credit loss experience over past years to base the calculation of ECL on adoption of IFRS 9. Given the Company's experience of collection history and no historical loss rates / bad debts and normal receivable aging, the move from an incurred loss model to an expected loss model has not had an impact on the financial position and / or financial performance of the Company.

Loss allowance on debt securities are measured at 12 months expected credit losses as those are determined to have low credit risk at the reporting date. Since there is no loss given default, therefore no credit loss is expected on these securities. Loss allowance on other securities and bank balances is also measured at 12 months expected credit losses. Since these assets are short term in nature, therefore no credit loss is expected on these balances.

4.2 Property, plant and equipment

Owned

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

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.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

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

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



Notes to the Financial Statements

For the year ended 30 June 2019

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 and advances made during installation and construction period are carried under this head. These are transferred to specific asset as and when the asset is available for its intended use.

4.3 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any however, Intangible assets having indefinite life are stated at cost less impairment losses, if any.

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortization is charged to the statement of profit or loss on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Amortization on additions to intangible assets is charged from the month in which an item is acquired or capitalized while no amortization is charged for the month in which the item is disposed off.

All intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Where the carrying amount of an asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount. The carrying amount of other intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exist than the assets recoverable amount is estimated. The recoverable amount is the greater of its value and fair value less cost to sell.

4.4 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.

4.5 Impairment of non-financial assets

The carrying amount of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exists, the asset's or group of assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of value in use and fair value less cost to sell. Impairment losses are recognized in the statement of profit or loss.



Notes to the Financial Statements

For the year ended 30 June 2019

4.6 Financial assets

Initial Measurement

The Company classifies its financial assets in to following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent Measurement

Debt Investments at FVOCI

These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Other net gains and losses are recognized in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss.

Equity Investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the statement of profit or loss.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognized in profit or loss.

Financial assets measured at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.

4.7 Investments

- Investments in PIBs and treasury bills are classified as amortized cost and are initially measured at fair value. Transaction costs directly attributable to the acquisition are included in the carrying amount. Subsequently these investments are measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / markup income, losses and impairment are recognized in the statement of profit or loss.
- Investment in Units of Mutual Funds are classified as fair value through profit or loss and is initially measured at fair value and subsequently is measured at fair value determined using the net assets value of the funds at each reporting date. Net gains and losses are recognized in the statement of profit or loss.

4.8 Trade Debts, loans, deposits, interest accrued and other receivables

These are classified at amortized cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.



Notes to the Financial Statements

For the year ended 30 June 2019

4.9 Impairment of financial assets

The Company recognises loss allowances for ECLs in respect of financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balance for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the Gross carrying amount of the assets.

The Gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4.10 De-recognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

4.11 Financial liabilities

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on de-recognition is also recognized in the statement of profit or loss.



Notes to the Financial Statements

For the year ended 30 June 2019

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

4.12 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any and subsequently measured at amortized cost.

4.13 Mark-up bearing borrowings

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

4.14 Stores, spare parts and loose tools

These are valued at lower of weighted average cost and net realisable value less impairment, if any. 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.

4.15 Stock-in-trade

Raw materials are valued at the lower of weighted average cost and net realisable value less impairment, if any, 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.

4.16 Cash and cash equivalents

Cash and cash equivalents comprise of cash balances, call deposits and investments with maturities of less than three months or less from acquisition date that are subject to insignificant risk of changes in fair value. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of statement of cashflows .

4.17 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

For the year ended 30 June 2019

4.18 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.

4.19 Employees' compensated absences

The Company accounts for all accumulated compensated absences when employees render services that increase their entitlement to future compensated absences.

4.20 Liabilities against assets subject to finance lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other leases are classified as operating leases.

Assets held under finance leases along with corresponding lease liabilities are initially recognized at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized in profit or loss, unless they are directly attributable to qualifying assets.

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

In the context of sale and leaseback transactions, where a sale and leaseback transaction is classified as a finance lease, any excess of the sale proceeds over the carrying values is deferred and recognized in profit or loss over the lease term. Any loss representing the excess of the carrying values over the sale proceeds is recognized immediately in profit or loss.

4.21 Asset held under Ijarah financing

Assets held under Ijarah financing are accounted for using the guidelines of Islamic Financial Accounting Standard-2 (IFAS 2), "Ijarah". The assets are not recognized on the Company's statement of financial position and payments made under Ijarah financing are recognized in the statement of profit or loss on a straight line basis over the term of the lease.

4.22 Revenue recognition

- Revenue is measured based on the consideration specified in a contract with a customer. Revenue from operations of the Company are recognized when the goods are provided, and thereby the performance obligations are satisfied. Revenue consists of sale of bank note and non-bank note security documents. The Company's contract performance obligations are fulfilled at the point in time when the goods are dispatched to the customer. Invoices are generated and revenue is recognised at that point in time, as the control has been transferred to the customers. Invoices are usually excluding amount of sales tax. No discounts are provided for any product. The Company assesses its revenue arrangements against specific criteria that must be met before revenue is recognised:



Notes to the Financial Statements

For the year ended 30 June 2019

- Return on bank deposits is recognised using the effective interest method.
- Dividend income is recognised in the statement of profit or loss on the date on which the Company's right to receive the payment is established.

4.23 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 using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits or taxable temporary difference will be available against which the asset can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

4.24 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, if any, are charged instatement of profit or loss.

4.25 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and only the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amount and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

4.26 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 approved.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2019 ----(Rupees in '000)----	2018
Operating fixed assets	5.1	1,510,353	1,573,237
Capital work-in-progress	5.2	4,404	15,882
		<u>1,514,757</u>	<u>1,589,119</u>



Notes to the Financial Statements

For the year ended 30 June 2019

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

2019

	Land		Building on		Plant and machinery	Spare parts and stand-by equipment	Laboratory equipment	Furniture and fittings	Electric water and gas, installation	Office and security equipment	Computers and computer accessories	Motor vehicles		Total
	Lease-hold	Free-hold	Lease hold land	Free hold land								Owned	Leased	
(Rupees in '000)														
At 1 July 2018														
Cost	417	293	1,015	174,829	3,072,289	74,024	39,547	15,107	264,538	43,440	16,441	5,127	35,651	3,742,718
Accumulated depreciation	-	-	(1,012)	(31,991)	(1,867,233)	(70,480)	(29,912)	(5,302)	(88,085)	(37,950)	(13,924)	(4,773)	(18,819)	(2,169,481)
Opening 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
During the year														
Additions	-	-	-	-	66,981	4,394	1,057	527	15,092	8,150	1,593	164	2,074	100,032
Transfers from CWIP	-	-	-	10,743	20,582	-	-	-	9,321	-	-	-	12,741	53,387
	-	-	-	10,743	87,563	4,394	1,057	527	24,413	8,150	1,593	164	14,815	153,419
Disposals:														
Cost	-	-	-	-	-	-	-	-	-	-	-	100	6,632	6,732
Depreciation	-	-	-	-	-	-	-	-	-	-	-	(96)	(5,248)	(5,344)
	-	-	-	-	-	-	-	-	-	-	-	4	1,384	1,388
Depreciation charge for the year	-	-	-	(10,376)	(170,915)	(2,005)	(2,177)	(864)	(18,346)	(2,274)	(1,179)	(223)	(6,556)	(214,915)
Closing net book	417	293	3	143,205	1,121,704	5,933	8,515	9,468	182,520	11,366	2,931	291	23,707	1,510,353
At 30 June 2019														
Cost	417	293	1,015	185,572	3,159,852	78,418	40,604	15,634	288,951	51,590	18,034	5,191	43,834	3,889,405
Accumulated depreciation	-	-	(1,012)	(42,367)	(2,038,148)	(72,485)	(32,089)	(6,166)	(106,431)	(40,224)	(15,103)	(4,900)	(20,127)	(2,379,052)
Closing net book value	417	293	3	143,205	1,121,704	5,933	8,515	9,468	182,520	11,366	2,931	291	23,707	1,510,353
Depreciation rate					2.5% -									
% per annum	-	-	20%	33.33%	6% - 50%	25%	8% - 50%	6%	6% - 50%	15%	25%	20%	20%	



Notes to the Financial Statements

For the year ended 30 June 2019

2018

	Land		Building on		Plant and machinery	Spare parts and stand-by equipment	Laboratory equipment	Furniture and fittings	Electric water and gas, installation	Office and security equipment	Computers and computer accessories	Motor vehicles		Total
	Lease-hold	Free-hold	Lease hold land	Free hold land								Owned	Leased	
----- (Rupees in '000) -----														
At 1 July 2017														
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
During the year														
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
-	-	-	-	33,956	156,660	1,353	1,915	1,324	32,858	202	1,950	262	9,522	240,002
Disposals:														
Cost	-	-	-	-	139	-	-	-	-	-	-	(133)	(4,226)	(4,220)
Depreciation	-	-	-	-	(139)	-	-	-	-	-	-	132	3,950	3,943
	-	-	-	-	-	-	-	-	-	-	-	(1)	(276)	(277)
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
At 30 June 2018														
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%	

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

	Note	2019 ---- (Rupees in '000) ----	2018
Cost of sales	22	205,836	200,154
Administration expenses	23	9,079	8,247
		214,915	208,401



Notes to the Financial Statements

For the year ended 30 June 2019

5.1.2 Operating fixed assets include assets costing Rs. 336.36 million (2018: Rs. 203.35 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 During 2019, the Company reassessed the useful life of building, plant and machinery, laboratory equipment and electric, water and gas installation which resulted in changes in their expected usages. Had there been no change in estimated useful life, the profit before tax for the year would have decreased by Rs. 2.84 million with corresponding change in Property Plant and Equipment and Equity.

5.1.5 Details of property, plant and equipment disposed of during the year is as follows:

	Note	Cost	Accumulated depreciation	Net book value	Sales proceeds	Gain / (Loss)	Mode of disposal	Particular of buyers
----- (Rupees in '000) -----								
Vehicle								
Suzuki Cultus		1,129	452	677	838	161	Company's policy	Mr. Arshad Amir (employee)
Others	5.1.5.1	5,602	4,892	711	1,700	989	Various	Various
2019		6,731	5,344	1,388	2,538	1,150		
2018		4,498	4,221	279	1,733	1,454		

5.1.5.1 This includes assets having net book value of less than Rs. 500,000. These disposals were made in accordance with the Company's policy.

5.2 Capital work-in-progress

	2019	2018
	----(Rupees in '000)----	
Building	216	902
Plant and machinery	445	9,509
Electrical installation	2,075	215
Vehicle	1,668	5,256
	4,404	15,882



Notes to the Financial Statements

For the year ended 30 June 2019

	2019 ----(Rupees in '000)----	2018
The movement in capital work-in-progress is as follows:		
Balance as at beginning of the year	15,882	49,108
Additions during the year		
- Plant and machinery	21,028	124,695
- Building	11,490	25,168
- Water installation	215	-
- Electrical installation	2,583	2,768
- Vehicle	9,150	9,843
	44,466	162,474
Transfers to operating fixed assets		
- Plant and machinery	(20,582)	(143,753)
- Building	(10,743)	(33,956)
- Water installation	(8,412)	-
- Electrical installation	(909)	(10,716)
- Vehicle	(12,741)	(7,084)
- Others	-	(191)
	(53,387)	(195,700)
Expensed out	(2,557)	-
Balance at end of the year	4,404	15,882
6. INTANGIBLE ASSETS		
Net book value as at 1 July	1,329	-
Additions	655	1,385
Amortization	(388)	(56)
Net book value as at 30 June	1,596	1,329
Gross carrying value as at 30 June		
Cost	2,040	1,385
Accumulated amortization	444	56
Net book value	1,596	1,329
Amortization rate (% per annum)	33% - 50%	33% - 50%
7. LONG-TERM INVESTMENTS		
Amortized cost		
Pakistan Investment Bonds	1,190,841	1,184,760
Current maturity	-	(784,761)
	1,190,841	399,999



Notes to the Financial Statements

For the year ended 30 June 2019

- 7.1** These represents investments in Pakistan Investment Bonds (PIBs) carrying floating and fixed profit at the rate ranging from 11.05% to 13.69% (2018: 6.85% - 7.33%) with maturities in May 2028 and June 2028 (2018: July 2018). The profit payments are made semi annually.

	Note	2019 ----(Rupees in '000)----	2018
8. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		20,182	15,480
Spares - in hand		170,733	143,003
- in transit		769	27,922
Loose tools		1,155	381
		192,839	186,786
Provision for slow moving stores, spare parts and loose tools	8.1	(10,322)	(13,511)
		182,517	173,275
8.1 Provision for slow moving stores, spare parts and loose tools			
Opening balance		13,511	16,456
Reversal made during the year		(6)	-
Write-off during the year		(3,183)	(2,945)
		10,322	13,511
9. STOCK-IN-TRADE			
Raw materials - in hand		274,466	298,380
- in transit		27,962	5,902
		302,428	304,282
Provision for slow moving raw materials	9.1	(694)	(914)
Work-in-process		52,945	75,960
Finished goods		10,503	13,250
Provision for slow moving finished goods	9.2	(1,412)	(1,412)
		9,091	11,838
		363,770	391,166
9.1 Provision for slow moving raw materials			
Opening balance		914	929
Provision made during the year		-	551
Reversal made during the year		(112)	-
Written-off during the year		(108)	(566)
		(220)	(15)
		694	914



Notes to the Financial Statements

For the year ended 30 June 2019

	Note	2019 ----(Rupees in '000)----	2018
9.2 Provision for slow moving finished goods			
Opening balance		1,412	7,215
Reversal made during the year		-	(5,229)
Written-off during the year		-	(574)
		-	(5,803)
		1,412	1,412
10. TRADE DEBTS - considered good			
Unsecured - considered good			
Due from Pakistan Security Printing Corporation (Private)			
Limited - related party	10.1 & 10.2	725,602	509,393
Due from others		177,908	117,217
		903,510	626,610
10.1	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. 1,071.01 million (2018: Rs. 726.28 million).		
10.2	The aging of trade debts due from related party as at 30 June 2019 is as follows:		
Neither past due nor impaired		281,730	502,898
Past due but not impaired (31-60)	10.3	443,872	6,495
		725,602	509,393
10.3	This amount has been subsequently received on 4 July 2019.		
11. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advance to suppliers - unsecured, considered good		11,943	35,348
Short-term prepayments		972	519
Short-term deposits	11.1	486	597
LC margin	11.1	59,656	-
Utilities deposits		12,177	12,177
Loan to employees - considered good		-	87
Workers' profit participation fund	11.2	441	934
Others		923	732
		86,598	50,394



Notes to the Financial Statements

For the year ended 30 June 2019

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

Note **2019** 2018
-----**(Rupees in '000)**-----

11.2 Workers' profit participation fund

Balance as at 1 July	934	(71,222)
Add:		
Allocation for the year	(62,600)	(58,077)
Interest on funds utilised in the Company's business	-	(863)
	(62,600)	(58,940)
	(61,666)	(130,162)
Paid during the year	62,107	131,096
	441	934

12. INTEREST ACCRUED

Pakistan Investment Bonds	33,424	41,423
Security deposits	2,625	2,250
Treasury bills	-	1,344
Deposit and saving accounts	8	208
Term finance certificates	-	16
Term deposit receipts	9,063	-
	45,120	45,241

13. INVESTMENTS

Amortized cost

Pakistan Investment Bonds	7.1	-	784,761
Treasury bills	13.1	-	98,589
Term deposit receipts	13.2	512,000	-

Fair value through profit or loss - FVTPL

B.R.R. Guardian Modaraba			
Nil (2018: 563) units of Rs 5,000 each	13.3	-	2,112
Units of mutual funds	13.4	1,074,544	1,320,241
		1,586,544	2,205,703

13.1 This represents investment in treasury bill of six month carried profit at the rate of 6.22% which was matured on 05 July 2018.

13.2 This represents investment in term deposit receipts of three month carried profit at the rate of 13.35%.



Notes to the Financial Statements

For the year ended 30 June 2019

13.3 This represents investment in Diminishing Musharaka based term finance certificates carried profit at the rate of 1 month KIBOR plus 1.5% payable on monthly basis which was matured on 07 April 2019.

13.4 Investments in units of mutual funds is as follows:

2019 ----(Units)----	2018	Name of Investee Company	Note	2019 ----(Rupees in '000)----	2018
44,054,830	4,054,830	NAFA Islamic Stock Fund		401,238	502,141
4,965,112	4,965,112	Meezan Islamic Fund		237,978	314,464
18,754,879	18,754,879	NAFA Islamic Asset Allocation		257,711	290,941
7,840,227	7,840,22	Meezan Balance Fund		105,522	121,024
4,656,169	4,656,169	NIT Islamic Equity Fund		34,456	46,096
1,035,436	1,035,436	Meezan Strategic Allocation Plan-I		37,639	45,575
<u>81,306,653</u>	<u>81,306,653</u>			<u>1,074,544</u>	<u>1,320,241</u>

14. CASH AND BANK BALANCES

Cash in hand		375	415
With banks:			
- Current accounts	14.1	31,723	25,454
- Saving accounts	14.2	2,753	379,719
- Deposit account		62	62
- Letter of placement	14.3	170,000	-
		204,538	405,235
		204,913	405,650

14.1 This includes balance in dividend account amounting to of Rs. 31,332 million (2018: 25,292)

14.2 Saving accounts carry profit ranging from 6.26% to 12.75% per annum (2018: 3.75% to 7.00% per annum).

14.3 Letter of placement carries profit of 13% per annum.

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2019 ----(Number of shares)----	2018		2019 ----(Rupees in '000)----	2018
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
<u>59,255,984</u>	<u>59,255,984</u>		<u>592,559</u>	<u>592,559</u>

15.1 The following shares are held by the related parties of the Company:

Name of related party	2019		2018	
	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)	5,925,564	10.00%	5,925,564	10.00%
Industrial Development & Renovation Organisation of Iran, Tehran (Iran)	5,925,564	10.00%	5,925,564	10.00%



Notes to the Financial Statements

For the year ended 30 June 2019

16. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2019			2018		
	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	9,019	1,923	7,096	8,132	1,343	6,789
Later than one year and not later than five years	21,458	2,723	18,735	18,063	1,622	16,441
	30,477	4,646	25,831	26,195	2,965	23,230

The above represents finance leases entered into with financial institutions for lease of motor vehicles. The liability under the agreement is payable by Apr 2024 in monthly installments and is subject to annual finance charge rates ranging from 7.57% to 14.49% (2018: 7.39% to 8.28%). The arrangement is secured by 10% security deposit and vehicles are registered and comprehensively insured in the name of Bank AL Habib. As at 30 June 2019, the Company has auto lease finance facility from Bank AL-Habib Limited amounting to Rs. 30 million (2018: Rs. 30 million) out of which Rs: 10 million (2018: Rs. 10 million) were earmarked from running finance limit.

17. DEFERRED TAXATION - net

Deferred tax liabilities on taxable temporary differences:
accelerated tax depreciation

Deferred tax asset on deductible temporary differences:

Provision for slow moving inventory, unfunded terminal benefits and fire tax
Amortisation of Pakistan Investment Bond
Loss on remeasurement of FVTPL investment
Leased liability net of leased assets

	2019	2018
	----(Rupees in '000)----	
	229,182	245,701
	(14,439)	(16,081)
	1,255	5,912
	(89,294)	(51,499)
	(1,086)	(1,909)
	(103,564)	(63,577)
	125,618	182,124



Notes to the Financial Statements

For the year ended 30 June 2019

18. TRADE AND OTHER PAYABLES

	Note	2019 ----(Rupees in '000)----	2018
Creditors		21,611	20,541
Payable against purchase of operating fixed assets		84,060	102,627
Salaries, wages and benefits payable	18.1	75,038	107,916
Accrued employees' compensated absences	18.2	65,956	64,329
Withholding tax payable		56,976	62,270
Sales tax payable		22,397	48,541
Provision for fire tax	18.3	37,023	37,023
Workers' welfare fund	18.4	43,246	35,895
Utilities		31,129	30,035
Payable to a related party	18.5	17,652	10,039
Deposits	18.6	9,063	7,063
Payable to contractors		15,420	25,179
Payable to gratuity fund	29.1.2	23,804	14,992
Payable to provident fund		1,852	-
Advances from customers		17,367	2,948
Others		14,658	15,468
		<u>540,252</u>	<u>584,866</u>

18.1 Includes herein bonus payables amounting to Rs.61.703 million (2018: Rs.86.391 million).

18.2 Accrued employees' compensated absences

Balance at beginning of the year	64,329	55,104
Charge for the year	1,627	9,225
Balance at end of the year	<u>65,956</u>	<u>64,329</u>

18.3 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.



Notes to the Financial Statements

For the year ended 30 June 2019

18.4 Workers' welfare fund

	2019	2018
	----(Rupees in '000)----	
Balance as at 1 July	35,895	34,932
Provision for the year	30,075	22,723
Prior year charge	6	(1,227)
Payments / adjustments during the year	(22,730)	(20,533)
	<u>43,246</u>	<u>35,895</u>

18.5 These amount belongs to Pakistan Security Printing Corporation (Pvt) Limited.

18.6 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.

19. SHORT TERM FINANCE AND OTHER FACILITIES

19.1 Running finance

The Company has running finance facility from Bank Al Habib Limited (BAHL) amounting to Rs. 90 million (2018: Rs. 100 million). The arrangement from BAHL is secured by lien over T-Bills and PIBs of Rs: 400 million, The outstanding balance amounting to Rs. 88.03 million (2018: Rs. 54.62 million) against this facility is subject to mark-up at the rate 3 months average KIBOR to be determined on first working day of each calendar quarter.

The Company has running finance facility from National Bank of Pakistan (NBP) amounting to Rs. 100 million (2018: Rs. 100 million) and Rs. 100 million (2018: Rs. 100 million) respectively. The arrangement from NBP 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 2019. The outstanding balance against this facility will be subject to mark-up at the rate prevailing on the last working day of each preceeding month for the end of each calendar quarter Karachi Inter Bank Offered Rate (KIBOR - one month) plus 1.25 basis points (2018: one month's Karachi Inter Bank Offered Rate (KIBOR) plus 1.25 basis points). The facility remained unutilised as at 30 June 2019.

19.2 Running Musharka

The Company has arrangement of running musharka facility of Rs. 200 million from Meezan Bank Limited (2018: Rs. 200 million). The arrangement is secured by first pari passu hypothecation charge created over stocks and receivables of the Company with 25% margin amounting to Rs. 266.67 million in favour of the bank till 30 September 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 annual accounts. The facility remained unutilised as at 30 June 2019.



Notes to the Financial Statements

For the year ended 30 June 2019

20. CONTINGENCIES AND COMMITMENTS

Note 2019 2018
----(Rupees in '000)----

20.1 Contingencies

Claims against the Company not acknowledged as debt	20.1.1	1,120	1,120
Sales Tax on Services	20.1.2	4,163	4,163

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

20.1.2 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 30 June 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.

20.1.3 Tax contingencies are disclosed in note 27.5 to the financial statements.

20.2 Commitments

Note 2019 2018
----(Rupees in '000)----

Ijarah financing	20.2.1	1,714	2,825
Commitments against letters of credit	20.2.2	12,259	62,389
Capital expenditure contracted for but not incurred		92,566	5,976

20.2.1 The Company has car ijarah facility from the Meezan Bank Limited amounting to Rs. 50 million (2018: Rs. 50 million) out of which Rs. 1.7 million (2018: Rs. 2.8 million) were utilised. The ownership of the cars are with Meezan bank during the tenor of the facility of each vehicle. As per requirement of IFAS-2 Ijarah financing has been treated as an operating lease.

The total of future Ijarah payment under arrangement are as follows:

2019 2018
----(Rupees in '000)----

Not later than one year	686	845
Later than one year and not later than five years	1,028	1,980
	1,714	2,825



Notes to the Financial Statements

For the year ended 30 June 2019

20.2.2 Import letter of credit (sight / usance)

The Company has facilities from the National Bank of Pakistan relating to import letters of credit (sight / usance) amounting to Rs. 100 million (2018: Rs. 100 million). The arrangement from National Bank of Pakistan is secured by lien on documents of title of goods drawn under letter of credit. The Company has by lien over T-Bills and PIBs of Rs: 400 million. Utilised amount as at 30 June 2019 is Rs. 2.15 million.

The Company has facilities from the Bank Al Habib Limited (BAHL) relating to import letters of credit (sight / usance) amounting to Rs. 100 million (2018: Rs. 100 million). The arrangement from BAHL is secured by lien over T-Bills and PIBs of Rs: 400 million, import documents consigned in favour of BAHL and counter guarantees. Utilised amount as at 30 June 2019 is Rs. 10.11 million.

The Musharka facility from Meezan Bank Limited would also be used for import letter of credit (sight / usance) amounting to Rs. 200 million. This arrangement is secured by lien over import documents. The facility remained unutilised as at 30 June 2019.

20.2.3 Letter of Guarantee Facility

As at 30 June 2019, the Company has facilities from National Bank of Pakistan and Bank AL Habib Limited relating to letters of guarantee as follows:

	2019		2018	
	National Bank of Pakistan	Bank AL Habib Limited	National Bank of Pakistan	Bank AL Habib Limited
	----- (Rupees in '000) -----			
Total facility available	<u>100,000</u>	<u>20,000</u>	<u>100,000</u>	<u>20,000</u>
Utilised facility	<u>36,534</u>	<u>15,566</u>	<u>36,534</u>	<u>13,438</u>

21. SALES - net

Note

2019

2018

----(Rupees in '000)----

Banknote paper	4,040,833	3,373,169
Non-banknote paper:		
- Commercial paper	24,518	107,756
- Others	617,123	575,827
	641,641	683,583
	4,682,474	4,056,752
Sales tax	(680,883)	(589,834)
	<u>4,001,591</u>	<u>3,466,918</u>

21.1

21.1 Includes sales made to Pakistan Security Printing Corporation (Private) Limited (PSPC), a related party, amounting to Rs. 3,494 million (2018: Rs. 3,075 million).



Notes to the Financial Statements

For the year ended 30 June 2019

22. COST OF SALES

	Note	2019 ----(Rupees in '000)----	2018
Opening stock of raw materials		304,282	307,384
Add: Purchases - net		1,188,436	853,359
		<u>1,492,718</u>	<u>1,160,743</u>
Closing stock of raw materials	9	(302,428)	(304,282)
Raw materials consumed		1,190,290	856,461
Salaries, wages and benefits	22.1	335,417	350,392
Utilities		333,276	271,894
Depreciation	5.1.1	205,836	200,154
Manufacturing services		156,172	143,113
Stores, spares and loose tools consumed		72,337	92,551
Defence security guards		35,845	41,526
Repairs and maintenance		40,443	39,578
Insurance		4,464	4,992
Rent, rates and taxes		981	1,101
Provision for slow moving raw materials	9.1	(112)	551
Provision for slow moving stores, spare parts and loose tools		(6)	-
Provision for slow moving finished goods	9.2	-	(5,229)
Other expenses		15,649	14,674
		<u>2,390,592</u>	<u>2,011,758</u>
Opening stock of work-in-process		75,960	220,698
Less: Closing stock of work-in-process	9	(52,945)	(75,960)
Cost of goods manufactured		2,413,607	2,156,496
Opening stock of finished goods		13,251	31,023
Closing stock of finished goods	9	(10,503)	(13,824)
		<u>2,416,355</u>	<u>2,173,695</u>

22.1 Salaries, wages and benefits include Rs. 31.751 million (2018: Rs. 31.416 million) in respect of employee retirement benefits.



Notes to the Financial Statements

For the year ended 30 June 2019

23. ADMINISTRATIVE EXPENSES

Note	2019	2018
	----(Rupees in '000)----	
23.1	185,395	189,021
	8,459	10,847
5.1.1	9,079	8,247
	5,208	6,325
23.2	8,723	5,648
	3,119	3,120
	3,614	3,007
	2,054	2,954
	2,147	2,825
	2,776	2,738
	1,287	1,389
	1,328	1,010
	475	408
	388	56
	5,369	6,146
	<u>239,421</u>	<u>243,741</u>

23.1 Salaries, wages and benefits include Rs. 16.451 million (2018: Rs. 16.626 million) in respect of employee retirement benefits.

23.2 Includes those of directors amounting Rs. 7.98 million (2018: Rs. 4.18 million).

24. OTHER INCOME

Note	2019	2018
	----(Rupees in '000)----	

Income from financial assets

Amortisation of discount on Pakistan Investment Bond	4,326	5,585
Gain on redemption of Pakistan Investment Bond realised	239	-
Dividend income on mutual fund	-	3,189
Reversal of impairment on term finance certificates	704	857
Mark-up on:		
- Pakistan Investment Bonds	86,474	91,046
- Bank deposits and savings account	30,741	17,775
- Treasury bills	8,496	3,798
- Term deposit receipts	18,056	3,101
- Savings account	15,423	1,498
- Security deposits	375	563
- Term finance certificate - BRR	108	349
- Loan to employees	13	17
	<u>164,955</u>	<u>127,778</u>



Notes to the Financial Statements

For the year ended 30 June 2019

	Note	2019 ----(Rupees in '000)----	2018
Income from non-financial assets			
Gain on sale of property, plant and equipment		1,150	1,457
Sale of waste materials		4,237	1,988
Others		5,307	1,917
		10,694	5,362
		175,649	133,140
25. OTHER CHARGES			
		2019	2018 (Re-stated)
		----(Rupees in '000)----	
Workers' profit participation fund	11.2	62,600	58,077
Workers' welfare fund	18.4	30,081	22,723
Donation	25.1	4,856	8,284
Exchange loss		14,393	6,682
Unrealised loss remeasurement on mutual funds		245,697	194,923
Auditors' remuneration	25.2	1,462	1,150
		359,089	291,839

25.1 During the year, the Company has made donations to the following exceeding Rs. 0.5 million.

<u>Name of Donee</u>	2019 ----(Rupees in '000)----	2018
Sindh Graduates Association	2,500	3,050
HANDS	1,000	3,000

None of the directors or their spouses had any interest in any of the donee except ex-chief executive / director Mr. Ali Hussain who was a member of Sindh Graduates Association.

25.2 Auditors' remuneration

Audit fee	770	770
Review of half yearly financial statements	152	152
Special certification, Code of Corporate Governance and other services	273	37
Out of pocket expenses	267	191
	1,462	1,150



Notes to the Financial Statements

For the year ended 30 June 2019

26. FINANCE COSTS

Note	2019	2018
	----(Rupees in '000)----	
Interest / mark-up on:		
- finance leases	1,772	1,233
- workers' profit participation fund	-	863
- short-term finance	236	167
- long-term finance	-	9
Bank charges	1,085	2,043
	<u>3,093</u>	<u>4,315</u>

27. TAXATION - net

2019
2018
(Re-stated)
----(Rupees in '000)----

Current		
- for the year	443,636	346,867
- changes in estimates related to prior years	118	3,478
	<u>443,754</u>	<u>350,345</u>
Deferred	(56,506)	(34,236)
	<u>387,248</u>	<u>316,109</u>

27.1 Reconciliation between tax expense and accounting profit

Accounting profit before taxation	<u>1,159,282</u>	<u>886,468</u>
Tax on accounting profit @ 29% (2018: 30%)	336,192	265,940
Rebates under section 61, 65A and 65B of the Ordinance	(6,419)	(21,223)
Tax at reduced rate	33,457	38,234
Tax effect of permanent differences	(2,240)	972
Effect of reduction in tax rate	-	(8,056)
Super tax	29,035	33,494
Tax effect of prior year	118	3,478
Remeasurement (loss) / gain on employee benefits	(1,794)	2,635
Others	(1,101)	635
	<u>387,248</u>	<u>316,109</u>
Average rate of tax	<u>33%</u>	<u>36%</u>



Notes to the Financial Statements

For the year ended 30 June 2019

27.2 Sufficient provision for tax has been made in these financial statements taking into account the profit or loss for the year and various admissible and inadmissible allowances and deduction under the Income Tax Ordinance, 2001. Position of provision and assessment including returns filed and deemed assessed for last three years are as follows:

	Tax Deemed assessment	Tax provision (note 27.2.1)
	----- (Rupees in '000) -----	
Tax Year 2018	346,985	346,985
Tax Year 2017	405,360	405,360
Tax Year 2016	302,479	302,479

27.2.1 Tax provision includes effect of prior year adjustments.

27.3 In addition to interim cash dividend @ Rs. 1.00 per ordinary share the Board of Directors of the Company in their meeting held on 26 July 2019 has announced sufficient cash dividend for the year ended 30 June 2019 to comply with the requirements of section 5A of the Income Tax Ordinance, 2001. Accordingly, no provision for tax on undistributed reserves has been recognized in these financial statements (refer note 39).

27.4 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 was withdrawn. The Company filed a constitutional petition with the High Court challenging the withdrawal of the facility upto and including tax year 2007. The High Court 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 under the Normal Tax Regime. Further, the tax return for the tax years 2006 and 2007 are deemed to be assessed under provisions of the Income Tax Ordinance, 2001 ("the Ordinance") unless selected for an audit by the taxation authorities at any time during a period of five years from the date of filing. According to legal advice, since the period of five years has lapsed, tax years 2006 and 2007 are time barred for selection of audit. The management of the Company based on this advice is confident that no adverse outcome will arise from this matter.

27.5 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.

- (a) The Income Tax authorities had raised a demand of Rs. 43.99 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.



Notes to the Financial Statements

For the year ended 30 June 2019

During the 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. The 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.

- (b) 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. The Company filed an appeal against the order before the Commissioner (Appeals) which was decided on 15 December 2014 as under:

- The CIR (A) 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 and 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) on which an appellate order bearing order no. 342/KB of 2015 dated 27 November 2018 was passed by Appellate Tribunal Revenue (ATIR) in which ATIR has directed the learned ACIR to work out the Workers Welfare Fund liability of the Company in the light of an order bearing civil appeal No.1049 to 1055/2011 and another order dated 10 November 2016 passed by the Hon'ble Supreme Court of Pakistan involving similar issue of Workers Welfare Fund. A request for appeal effect to the appellate order was filed and the appeal effect is still pending.

- (c) The Company has e-filed its return of income for the tax year 2018 on the web-portal of FBR on 31 December 2018. The return of income filed is deemed an assessment order under section 120 of the Income Tax Ordinance, 2001 (the Ordinance). Notice dated 31 January 2019, was received under section 177(1) of the Ordinance. The said notice has been replied through letter dated 15 February 2019, to Commissioner Inland Revenue, Zone – IV, Large Taxpayers Unit. However, no further correspondence has been received from the department in this regard.

28. EARNINGS PER SHARE

	2019	2018 (Re-stated)
	----(Rupees in '000)----	
Profit after taxation	<u>772,034</u>	<u>570,359</u>
	----(Number of shares)----	
Weighted average number of ordinary shares	<u>59,255,984</u>	<u>59,255,984</u>
	----(Rupees)----	
Earnings per share - basic and diluted	<u>13.03</u>	<u>9.63</u>



Notes to the Financial Statements

For the year ended 30 June 2019

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

29. EMPLOYEES' RETIREMENT BENEFITS

29.1 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 2019. The projected unit credit method, using the following significant assumptions as has been used for the actuarial valuations.

29.1.1 Actuarial assumptions

	2019	2018
	----(Percentage)----	
a) Discount rate	13%	8%
b) Salary Increase Rate	11%	8%
c) Interest Credit Rate	13%	8%
d) Expected return on plan assets	13%	8%

29.1.2 Amounts recognised in the balance sheet are as follows:

	Note	2019	2018
		----(Rupees in '000)----	
Present value of defined benefit obligations	29.1.4	328,939	373,871
Fair value of plan assets	29.1.5	(305,135)	(358,879)
Liability on balance sheet		<u>23,804</u>	<u>14,992</u>

29.1.3 Movement in net liability recognised:

Opening net liability	14,991	13,597
Expense recognized during the year	25,156	25,181
Other comprehensive income	6,185	(8,783)
Contributions and benefits paid on behalf of the fund	(22,528)	(15,004)
Closing net liability	<u>23,804</u>	<u>14,992</u>

29.1.4 Movement in present value of defined benefit obligations

Opening present value of obligation	373,871	342,333
Current service cost	13,156	12,181
Interest cost	12,000	13,000
Benefits paid	(37,215)	(37,227)
Remeasurement (gain) / loss on obligation	(62,484)	16,685
Income distributed among the members	29,611	26,899
Closing present value of obligation	<u>328,939</u>	<u>373,871</u>



Notes to the Financial Statements

For the year ended 30 June 2019

29.1.5 Movement in the fair value of plan assets

	2019	2018
	----(Rupees in '000)----	
Opening fair value of plan assets	358,879	328,735
Expected return on plan assets	29,611	26,899
Remeasurement (loss) / gain on plan assets	(68,668)	25,468
Benefits paid	(37,215)	(37,227)
Contribution by the Company	22,528	15,004
Closing fair value of plan assets	305,135	358,879

29.1.6 Expense recognised in the statement of profit or loss

Current service cost	13,156	12,181
Net Interest cost	(17,611)	(13,899)
Income distributed among members	29,611	26,899
Cost for the year	25,156	25,181

29.1.7 Return on plan assets is as follows:

Expected return on plan assets	29,611	26,899
--------------------------------	--------	--------

29.1.8 Plan assets comprised of following

	2019	2018
	----(Percentage)----	
Defence Saving Certificates (DSCs)	-	10%
Regular Income Certificates (RICs)	40%	27%
Special Saving Certificates (SSCs)	38%	60%
Pakistan Investment Bonds	19%	-
Bank account and short-term deposits	3%	3%
	100%	100%

29.1.9 Deficit on the plan assets

	2019	2018	2017	2016	2015
	----- (Rupees in '000) -----				
Present value of defined benefit obligation	(328,939)	(373,871)	(342,334)	(336,986)	(316,026)
Fair value of plan assets	305,135	358,879	328,736	331,812	283,347
Deficit	(23,804)	(14,992)	(13,598)	(5,174)	(32,679)

29.1.10 5 years data on experience adjustments

Loss / (gain) on obligation	(62,484)	16,685	3,920	10,690	10,935
(Gain) / loss on plan assets	(68,668)	(25,468)	(9,753)	(17,400)	3,725

29.1.11 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 2019.



Notes to the Financial Statements

For the year ended 30 June 2019

29.1.12 Sensitivity Analysis on significant actuarial assumptions

The below sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Present Value of Obligations

	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
Increase in discount rate by 1%	303,639	347,700
Decrease in discount rate by 1%	358,037	403,484
Increase in salary by 1%	361,017	406,924
Decrease in salary by 1%	300,656	343,961
	----- Number of Years -----	
Weighted average duration of the defined benefit obligations	8.35	8.27

29.2 Defined contribution plan

	2019 Un-audited ----- (Rupees in '000) -----	2018 Un-audited ----- (Rupees in '000) -----
Size of the trust	462,305	440,990
Cost of investment made	289,126	292,580
Percentage of the investment made	64.88%	66.35%
Fair value of investment made	299,922	292,580

29.2.1 Breakup of investment

	2019 Un-audited		2018 Un-audited	
	Investment Rs in 000	Percentage of Investment as size of the fund	Investment Rs in 000	Percentage of Investment as size of the fund
Special Saving Certificates	124,535	40.8%	258,448	88.3%
Pakistan Investment Bond	57,191	18.7%	33,544	11.5%
Regular Income Certificates	115,002	37.7%	-	0.0%
Mutual Fund	8,407	2.8%	588	0.2%
	<u>305,135</u>		<u>292,580</u>	

29.2.2 Based on the un-audited financial information of the provident and gratuity funds (the "Funds") as at 30 June 2019, 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.



Notes to the Financial Statements

For the year ended 30 June 2019

30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2019			2018		
	Chief Executive	Non-Executive Directors	Executives	Chief Executive	Non-Executive Directors	Executives
	----- (Rupees in '000) -----					
Directors' fee	-	27,200	-	640	25,600	-
Managerial remuneration, utilities, Housing perquisites etc (including bonus)	18,456	-	84,818	6,637	-	58,364
Reward & appreciation	-	-	-	3,125	-	-
Retirement benefits	-	-	6,041	-	-	5,594
Medical	-	-	3,831	-	-	2,615
Total	18,456	27,200	94,690	10,402	25,600	66,573
Number of persons	2	7	21	2	7	13

30.1 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.

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

30.3 The above amount to Chief Executive includes Rs: 14.45 million paid to Ex-CEO on account of managerial remuneration (2018: Rs. 1.02 million and Rs. 3.13 million paid on account of managerial remuneration and reward respectively).

31. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated company, directors of the Company, companies in which directors also hold directorship, related group companies, key management personnel and staff retirement benefit funds. Transactions with related parties other than those disclosed elsewhere are as follows :



Notes to the Financial Statements

For the year ended 30 June 2019

	Note	Nature of relationship	Basis of relationship	Nature of transaction	2019 --- Rupees in '000 ---	2018
Pakistan Security Printing Corporation (Pvt) Limited	31.1	Associated undertaking	Common directorship	Sales Shared expenses charged by associate Dividend Paid	3,494,125 35,835 213,496	3,075,120 41,472 189,774
Summer Holdings		Other	Director on board of company	Dividend Paid	53,330	47,405
Employees Retirement Funds	31.3	Retirement benefit fund	Employees benefit fund	Contribution made	45,969	43,623
Key management personnel	31.3 & 31.4	Related parties	Executives	Remuneration and benefits	140,346	102,575

31.1 All sales transactions with Pakistan Security Printing Corporation (Private) Limited are carried out by the Company using the "Cost Plus Mark-up Method".

31.2 All transactions are based on commercial terms and at market prices which are approved by the Board of Directors.

31.3 Contributions to the employee retirement benefit funds are made in accordance with the terms of employee retirement benefit schemes and actuarial advice.

31.4 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors of the Company (refer note 30).

32. PRODUCTION CAPACITY

	2019 ----(Tons)----	2018
Total Installed Capacity - on three shift basis	4,000	3,500
Available installed capacity - based on available three shift working days	3,981	3,472
Actual production	3,719	3,273

The short capacity utilisation during the year was due to scheduled plant shut down of 7 days (2018: 15 days) for maintenance purposes.



Notes to the Financial Statements

For the year ended 30 June 2019

33. CASH GENERATED FROM OPERATIONS AND FINANCING ACTIVITIES

		2019	2018 (Re-stated)
	Note	----(Rupees in '000)----	
33.1 Cash generated from operations			
Profit before taxation		1,159,282	886,468
Adjustments for:			
Depreciation	5.1	214,915	208,401
Finance costs	26	3,093	4,315
Gain on redemption of PIB's	24	(239)	-
Provision for slow moving stock		-	1,963
Unrealised loss on redemption of investments	25	245,697	194,923
Amortisation of Intangible assets	23	388	56
Mark-up on security deposits		(375)	(563)
Reversal of impairment on term finance certificates		(704)	(857)
Gain on disposal of operating fixed assets		(1,150)	(1,457)
Dividend income on mutual fund		-	(3,189)
Amortisation of discount		(4,326)	(5,585)
Reversal of provision of slow moving stock - net		(118)	(6,641)
Mark-up on bank deposits and saving accounts		(46,164)	(19,273)
Mark-up on investments		(113,134)	(98,294)
Changes in:			
- Stores, spare parts and loose tools		(9,456)	(34,642)
- Stock-in-trade		27,396	151,353
- Trade debts		(276,900)	5,269
- Loans, advances, deposits, prepayments and other receivables		(36,204)	26,943
- Trade and other payables		(50,799)	80,192
		<u>1,111,202</u>	<u>1,389,382</u>



Notes to the Financial Statements

For the year ended 30 June 2019

33.2 Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities against assets subject to finance lease	Short-term running finance including accrued markup	Dividend Payable	Total
Note	16			
Opening balance as at 1 July 2018	23,230	54,630	209,257	287,117
Dividend declared	-	-	533,304	533,304
Lease obligation entered during the year	11,226	-	-	11,226
Interest accrued on lease obligation	1,772	-	-	1,772
Lease deposit matured	-	-	-	-
Mark-up on running finance	-	236	-	236
	12,998	236	533,304	546,538
Payments against lease obligations	(10,397)	-	-	(10,397)
Proceeds short-term running finance	-	88,146	-	88,146
Repayment of short term borrowings	-	(54,866)	-	(54,866)
Dividend paid	-	-	(484,764)	(484,764)
	(10,397)	33,280	(484,764)	461,881
Closing balance as at 30 June 2019	25,831	88,146	257,797	358,540

34 CASH AND CASH EQUIVALENTS

	Note	2019 ----(Rupees in '000)----	2018
Letter of Placement having maturity of less than 3 months	14	170,000	-
Cash and bank balances		34,913	405,650
		204,913	405,650

35. FINANCIAL INSTRUMENTS

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



Notes to the Financial Statements

For the year ended 30 June 2019

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 2019 which are summarized below:

35.1 Credit risk

Credit risk represents the financial loss that would be recognised at the reporting date if counterparties fail completely to perform as contracted / discharge on obligation / commitment that it has entered into with the Company.

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 18% (2018: 14%) 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:

	Note	2019 ----(Rupees in '000)----	2018
Investments		2,777,385	2,605,702
Trade debts	10	903,510	626,610
Loans, deposits, and other receivables		17,854	17,546
Interest accrued		45,120	45,241
Bank balances	14	204,538	405,235
		<u>3,948,407</u>	<u>3,700,334</u>

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 13 and 7 to the financial statements.

	2019 ----(Credit Ratings)----	2018
Term finance certificates	-	D
Meezan Islamic Income Fund	AM1	AM1
NIT Islamic Equity Fund	AM2++	AM2++
Nafa Islamic Stock Fund	AM1	AM1
Meezan Strategic Allocation Fund - I	AM1	AM1
Nafa Islamic Asset Allocation Fund	AM1	AM1
Meezan Balance Fund	AM1	AM1



Notes to the Financial Statements

For the year ended 30 June 2019

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

	2019		2018	
	Gross	Impairment	Gross	Impairment
	----- (Rupees in '000) -----			
Neither past due nor impaired				
Past due but not impaired	425,369	-	585,934	-
- 31 - 60	478,039	-	33,757	-
- 61 - 120	-	-	6,816	-
- 121 - 360	-	-	12	-
- 360 and above	102	-	91	-
	<u>903,510</u>	<u>-</u>	<u>626,610</u>	<u>-</u>

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.

35.1.1 The credit quality of Company's bank balances and letter of placement can be assessed with reference to external credit ratings as follows:

Bank	Rating agency	Short-term rating	2019 ----(Rupees in '000)----	2018
National Bank of Pakistan Limited	PACRA	A1+	25,137	25,454
MIB Bank Limited (Formerly NIB Bank Limited)	PACRA	A1	512,000	-
Pak - Brunei Investment Company	JCR - VIS	A1+	170,000	-
Bank Al Habib Limited	PACRA	A1+	(87,967)	(54,555)
Meezan Bank Limited	JCR - VIS	A1+	6,864	371,489
Khushhali Microfinance Bank Limited	JCR - VIS	A1	1,647	7,570
Habib Metropolitan Bank Limited	PACRA	A1+	548	517
Bank Al Falah Limited	PACRA	A1+	132	124
MIB Bank Limited (Formerly NIB Bank Limited)	PACRA	A1	147	19
			<u>628,508</u>	<u>350,618</u>

35.1.2 The Company has provided security deposits as per the contractual terms with counter parties as security and does not expect material loss against those deposits retention money.

35.2 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. 190 million to meet any deficit, if required to meet the short term liquidity commitment.



Notes to the Financial Statements

For the year ended 30 June 2019

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

	2019				
	Carrying amount	On demand contractual cash flows	Six months or less	Six to twelve months	One to two years
	(Rupees in '000)				
Financial Liabilities					
Liabilities against assets subject to finance lease	25,831	(30,477)	(3,548)	(3,548)	(18,735)
Trade and other payables	360,243	(360,243)	(252,257)	(21,015)	(86,971)
Interest accrued	116	(116)	(116)	-	-
Short term borrowings	88,030	(88,030)	(88,030)	-	-
Unpaid dividend	1,832	(1,832)	(1,832)	-	-
Unclaimed dividend	255,965	(255,965)	(255,965)	-	-
	732,017	(736,663)	(601,748)	(24,563)	(105,706)
	2018				
	Carrying amount	On demand contractual cash flows	Six months or less	Six to twelve months	One to two years
	(Rupees in '000)				
Financial Liabilities					
Liabilities against asset subject to finance lease	23,230	(26,197)	(3,395)	(3,395)	(16,441)
Trade and other payables	398,189	(398,189)	(282,547)	(21,015)	(94,628)
Interest accrued	12	(12)	(12)	-	-
Short term borrowings	54,618	(54,618)	(54,618)	-	-
Unpaid dividend	8,797	(8,797)	(8,797)	-	-
Unclaimed dividend	200,460	(200,460)	(200,460)	-	-
	685,306	(688,273)	(549,828)	(24,410)	(111,069)

35.3 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.

35.3.1 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.

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

	2019		
	USD	GBP	Euro
	(Rupees in '000)		
Payable against purchase of operating fixed assets	-	-	39,455
Trade and other payables	-	-	2,589
Gross balance sheet exposure	-	-	42,044
Outstanding letters of credit	1,224	1,283	13,066
Net exposure	1,224	1,283	55,110



Notes to the Financial Statements

For the year ended 30 June 2019

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

The following significant exchange rates have been applied:	Reporting date rate	
	2019	2018
USD to PKR	164.50	121.60
Euro to PKR	186.99	141.57
GBP to PKR	208.45	159.41

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

	2019	2018
	----(Rupees in '000)----	
Effect on profit		
Increase	2,943	2,192
Decrease	(2,943)	(2,192)

35.3.2 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 running finance 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:

		2019	2018
		Carrying amount	
	Note	----(Rupees in '000)----	
Financial assets			
Fixed rate instruments			
Pakistan Investment Bonds	7	1,190,841	399,999
Variable rate instruments			
Term finance certificates	13	-	2,112
Financial liabilities			
Variable rate instruments			
Liabilities against asset subject to finance lease	16	25,831	23,230



Notes to the Financial Statements

For the year ended 30 June 2019

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.

	Effect on profit and loss	
	100 bps increase	100 bps decrease
	----(Rupees in '000)----	
As at 30 June 2019		
Cash flow sensitivity - Variable rate instruments	<u>258</u>	<u>(258)</u>
As at 30 June 2018		
Cash flow sensitivity - Variable rate instruments	<u>232</u>	<u>(232)</u>

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

35.3.3 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.

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

	2019	2018
	----(Rupees in '000)----	
B.R.R. Guardian Modaraba term finance certificates	<u>-</u>	<u>211</u>
Units of mutual funds	<u>107,454</u>	<u>132,024</u>

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



Notes to the Financial Statements

For the year ended 30 June 2019

35.3.4 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 sustainable 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.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Level 1 : Fair value measurements using quoted (unadjusted) in active markets for identical asset or liability.

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

Level 3 : Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).



Notes to the Financial Statements

For the year ended 30 June 2019

30 June 2019

	Carrying Amount				Fair Value			
	Fair value through profit or loss	Amortised cost	other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----								
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments								
- Units of mutual fund	1,074,544	-	-	1,074,544	1,074,544	-	-	1,074,544
Financial assets not measured at fair value								
Investments								
- Pakistan Investment Bonds	-	1,190,841	-	1,190,841	-	1,162,698	-	1,162,698
- Term deposit receipts	-	512,000	-	512,000	-	512,000	-	512,000
Loans, deposits and other receivables	-	17,854	-	17,854	-	-	-	-
Interest accrued	-	45,120	-	45,120	-	-	-	-
Trade debts	-	903,510	-	903,510	-	-	-	-
Bank balances	-	204,913	-	204,913	-	-	-	-
	-	2,874,238	-	2,874,238	-	1,674,698	-	1,674,698
Financial liabilities not measured at fair value								
Liabilities against assets subject to finance lease	-	-	25,831	25,831	-	-	-	-
Trade and other payables	-	-	360,243	360,243	-	-	-	-
Mark-up accrued	-	-	116	116	-	-	-	-
Short term borrowings	-	-	88,030	88,030	-	-	-	-
Unpaid dividend	-	-	1,832	1,832	-	-	-	-
Unclaimed dividend	-	-	255,965	255,965	-	-	-	-
	-	-	732,017	732,017	-	-	-	-



Notes to the Financial Statements

For the year ended 30 June 2019

30 June 2018								
Carrying Amount				Fair Value				
Fair value through profit or loss	Amortised cost	other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
(Rupees in '000)								
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments								
- Units of mutual fund	1,320,241	-	-	1,320,241	514,984	-	-	514,984
Financial assets not measured at fair value								
Investments								
- Pakistan Investment Bonds	-	1,184,760	-	1,184,760	-	1,136,096	-	1,136,096
- Term deposit receipts	-	98,589	-	98,589	-	100,000	-	100,000
Loans, deposits and other receivables								
-	-	2,112	-	2,112	-	2,112	-	2,112
Interest accrued	-	17,546	-	17,546	-	-	-	-
Trade debts	-	45,241	-	45,241	-	-	-	-
Bank balances	-	626,610	-	626,610	-	-	-	-
-	-	405,650	-	405,650	-	-	-	-
-	-	2,380,508	-	2,380,508	-	1,238,208	-	1,238,208
Financial liabilities not measured at fair value								
Liabilities against assets subject to finance lease								
-	-	23,230	23,230	-	-	-	-	-
Trade and other payables	-	398,189	398,189	-	-	-	-	-
Mark-up accrued	-	12	12	-	-	-	-	-
Short term borrowings	-	54,618	54,618	-	-	-	-	-
Unpaid dividend	-	8,797	8,797	-	-	-	-	-
Unclaimed dividend	-	200,460	200,460	-	-	-	-	-
-	-	685,306	685,306	-	-	-	-	-

The Company has not disclosed the fair values for some financial assets and financial liabilities, as these are either short term in nature or reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.



Notes to the Financial Statements

For the year ended 30 June 2019

37. OPERATING SEGMENTS

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

37.1 Revenue from bank note paper represents 86.31% (2018: 83.15%) of the total revenue of the Company.

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

37.3 All non-current assets of the Company at 30 June 2019 are located in Pakistan.

37.4 One customer (PSPC) of the Company accounts for 87.32% (2018: 88.70%) of total revenue of the Company for the year.

38. NUMBER OF EMPLOYEES

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

	2019	2018
	----(Numbers)----	
At year end	372	387
Average employees during the year	378	383
Factory employees	246	264

39. DIVIDEND AND APPROPRIATIONS

Subsequent to year ended 30 June 2019 the Board of Directors in its meeting held on 26 July 2019, has proposed final cash dividend @ Rs. 7.25/- per share amounting to Rs. 429.605 million (2018: Rs. 8.00/- per share amounting to Rs. 474.048 million) for approval of the members at the Annual General Meeting. This is in addition to the interim cash dividend @ Re. 1/- per share amounting to Rs. 59.256 million (2018: Nil) approved by the Board of Directors for the year ended 30 June 2019.

40. GENERAL

40.1 Comparative Information

Long term security deposits amounting to (2018: Rs. 12.65 million) and (2017: Rs. 12.675 million) has been reclassified to loans, advances, deposits, prepayments and other receivables in order to give better presentation and accordingly comparatives have been rearranged.

40.2 Date of Authorisation

These financial statements were authorised for issue on **26 July 2019** by the Board of Directors of the Company.

Dr. Mohammad Ashraf Butt
Chief Executive Officer

Rizwan-ul-Haq Khan
Chief Financial Officer

Jamal Nasim
Director



Pattern of Shareholding

As at June 30, 2019

No of Shareholders	No. of Shareholdings		Total Shares
	From	To	
603	1	100	16,548
436	101	500	143,781
284	501	1,000	232,879
491	1,001	5,000	1,241,017
129	5,001	10,000	961,869
55	10,001	15,000	684,041
19	15,001	20,000	333,962
12	20,001	25,000	273,819
9	25,001	30,000	243,616
4	30,001	35,000	131,083
4	35,001	40,000	145,909
8	40,001	45,000	344,937
4	45,001	50,000	187,485
3	50,001	55,000	158,475
1	55,001	60,000	58,809
1	60,001	65,000	64,000
3	65,001	70,000	203,673
2	70,001	75,000	143,060
1	80,000	85,000	80,000
2	100,000	105,000	200,000
1	115,001	120,000	117,607
1	130,001	135,000	134,000
1	160,001	165,000	164,220
1	180,001	185,000	182,847
1	210,001	215,000	211,000
2	235,001	240,000	479,138
1	250,001	255,000	250,500
1	395,001	400,000	399,367
1	445,001	450,000	445,677
1	540,001	545,000	541,900
1	765,001	770,000	768,703
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
2,091			59,255,985



Pattern of Shareholding

As at June 30, 2019

Categories of Shareholders	Number	Shares Held	Percentage
i. Associated Companies, Undertaking and Related Parties	3	35,572,867	60.03
INDUSTRIAL DEVELOPMENT & RENOVATION ORGANIZATION OF IRAN	1	5,925,564	10.00
SUMER HOLDING A.S. TURKEY	1	5,925,564	10.00
PAKISTAN SECURITY PRINTING CORP(PVT)LTD.	1	23,721,739	40.03
ii. Mutual Funds	4	2,639,428	4.45
CDC - TRUSTEE HBL IPF EQUITY SUB FUND	1	18,000	0.03
CDC - TRUSTEE HBL MULTI - ASSET FUND	1	10,000	0.02
CDC - TRUSTEE HBL PF EQUITY SUB FUND	1	24,000	0.04
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	2,587,428	4.37
iii. Directors and their spouse(s) and minor children	2	12,790	0.02
SHEIKH MOHAMMAD ALJAZ AKHTAR	2	12,790	0.02
iv. Executives -			
v. Public Sector Companies and Corporations	5	6,539,664	11.04
STATE LIFE INSURANCE CORPORATION OF PAKISTAN	2	5,022,607	8.48
PAKISTAN REINSURANCE COMPANY LIMITED	1	928,689	1.57
FEDERAL BOARD OF REVENUE	1	46,468	0.08
EMPLOYEES OLD AGE BENEFITS INSTITUTION	1	541,900	0.91
vi. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	14	5,884,760	9.93
HABIB BANK LIMITED	2	130	0.00
UNITED BANK LIMITED	1	318	0.00
MERCANTILE COOPERATIVE FINANCE	1	35231	0.06
MUSLIM COMMERCIAL BANK LTD.	1	39	0.00
E F U GENERAL INSURANCE LIMITED	1	749	0.00
INNOVATIVE INVESTMENT BANK LIMITED	1	1428	0.00
TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	1	239541	0.40
THE PUNJAB PROVINCIAL COOPERATIVE BANK	1	4254280	7.18
NATIONAL BANK OF PAKISTAN	2	1347897	2.27
MCB BANK LIMITED - TREASURY	1	114	0.00
IGI LIFE INSURANCE LIMITED	1	5000	0.01
CDC - TRUSTEE PAKISTAN PENSION FUND - EQUITY SUB FUND	1	33	0.00
General Public:	2,024	6,333,327	10.69
a. Local			
b. Foreign	-	-	



Pattern of Shareholding

As at June 30, 2019

Categories of Shareholders	Number	Shares Held	Percentage
Others	39	2,273,149	3.84
AZEEM SERVICES (PVT.) LTD.	1	1	0.00
N. H. SECURITIES (PVT.) LIMITED	1	26	0.00
NON-CDC UN-PAID 5% TAX SHAREHOLDERS	1	8,477	0.01
CDC PLAINTIF (PAID & UN-PAID) 5% TAX SHAREHOLDERS	1	2,232	0.00
EFG HERMES OMAN LLC	1	211,000	0.36
PRUDENTIAL SECURITIES LIMITED	1	53	0.00
Y.S. SECURITIES & SERVICES (PVT) LTD.	1	102	0.00
MILLWALA SONS (PRIVATE) LIMITED	1	64	0.00
SIZA (PRIVATE) LIMITED	1	10,000	0.02
MOHAMAD AMIN BROS (PVT) LIMITED	1	5,000	0.01
TRUSTEES AL-BADER WELFARE TRUST	1	58,809	0.10
DAWOOD FOUNDATION	1	239,597	0.40
TECHNOLOGY LINKS (PVT.) LIMITED	1	6,683	0.01
DEPUTY ADMINISTRATOR ABANDONED PROPERTIES ORGANIZATION	1	399,367	0.67
TRUSTEES SAEEDA AMIN WAKF	1	66,960	0.11
TRUSTEES MOHAMAD AMIN WAKF ESTATE	1	117,607	0.20
TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	1	8,404	0.01
GLOBE MANAGERMENTS (PRIVATE) LIMITED	1	7,000	0.01
FIKREE DEVELOPMENTS CORPORATION (PRIVATE) LIMITED	1	5,578	0.01
S.H. BUKHARI SECURITIES (PVT) LIMITED	1	921	0.00
CRESCENT COTTON MILLS LTD	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	3,704	0.01
SHAMALIK BROTHERS (PVT) LTD	1	1,000	0.00
UHF CONSULTING (PRIVATE) LIMITED	1	100	0.00
MAPLE LEAF CAPITAL LIMITED	1	1	0.00
HABIB BANK AG ZURICH DEIRA DUBAI	1	134,000	0.23
ZILLION CAPITAL SECURITIES (PVT) LTD.	1	1,000	0.00
MULTILINE SECURITIES (PVT) LIMITED	1	14,210	0.02
CLIKTRADE LIMITED	1	1	0.00
MUHAMMAD BASHIR KASMANI (PRIVATE) LIMITED	1	2,370	0.00
SEVEN STAR SECURITIES (PVT.) LTD.	1	4,000	0.01
NATIONAL INVESTMENT TRUST LIMITED - ADMINISTRATION FUND	1	768,703	1.30
ICI PAKISTAN MGT. STAFF DEFINED CONT. SUPERANNUATION FUND	1	25,500	0.04
Pearl Capital Management (Private) Limited	1	9	0.00
FIKREES (PRIVATE) LIMITED	1	1,037	0.00
AYUB CHAUDHRY INVESTMENTS (PVT) LTD.	1	3,998	0.01
MRA SECURITIES LIMITED - MF	1	500	0.00
Total	2,091	59,255,985	100.00



Pattern of Shareholding

As at June 30, 2019

Categories of Shareholders	Number	Shares Held	Percentage
vii. Shareholder Holding five percent or more voting Rights in the Listed Company	5	44,849,531	75.69
PAKISTAN SECURITY PRINTING CORP(PVT)LTD.	1	23,721,739	40.03
INDUSTRIAL DEVELOPMENT & RENOVATION ORGANIZATION OF IRAN	1	5,925,564	10.00
SUMER HOLDING A.S. TURKEY	1	5,925,564	10.00
STATE LIFE INSURANCE CORP. OF PAKISTAN	1	5,022,384	8.48
THE PUNJAB PROVINCIAL COOPERATIVE BANK	1	4,254,280	7.18



Notice of Annual General Meeting

Notice is hereby given that the fifty-fourth Annual General Meeting of Security Papers Limited will be held on Friday, August 30, 2019 at 11:00 am at The Institute of Bankers Pakistan, M.T. Khan Road, Karachi to transact the following business:

A. ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2019 together with the Directors' and Auditors' Reports thereon.
2. To approve the final payment of cash dividend at the rate of Rs. 7.25 per share i.e. 72.5% for the year ended June 30, 2019 as recommended by the Board of Directors. This is in addition to the interim cash dividend already paid at the rate of Rs. 1 per share i.e. 10% making a total of Rs. 8.25 per share i.e. 82.5%.
3. To appoint Auditors for the year 2019-20 and to fix their remuneration.

Karachi,
July 26, 2019

NOTES:

1. Closure of Share Transfer Books

The Share Transfer Books of the Company will remain closed from August 22, 2019 to August 30, 2019 (both days inclusive). Transfers received in order at the office of the 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 21, 2019 will be considered in time to determine the abovementioned entitlement and to attend and vote at the Meeting.

2. Participation in the Annual General Meeting

A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote on his/her behalf. The instrument appointing proxy must be received at the Registered Office of the Company duly stamped and signed, no later than 48 hours before the meeting.

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

By Order of the Board

(Faisal Saeed Khan)
Company Secretary



Notice of Annual General Meeting

A. For Attending the Meeting:

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

B. For Appointing Proxies:

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

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

As it 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 of a copy of valid CNIC (for individuals) and National Tax Number (for corporate entities).

Accordingly, shareholders who have not yet submitted a 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.



Notice of Annual General Meeting

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

(i) Pursuant to the provisions of the Finance Act, 2019 effective July 1, 2019, the rates of deduction of Withholding Income Tax from dividend payments under the Income Tax Ordinance have been revised as follows:

1. Rate of Withholding Income Tax deduction for the persons whose names are appearing on ATL ---- 15%.
2. Rate of Withholding Income Tax deduction for the persons whose names are not appearing on ATL ---- 30%.

To enable the company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, shareholders whose names are not entered into the Active Taxpayers' 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 @ 30% instead of 15%.

Persons not appearing in the Active Taxpayers' List: The rate of tax required to be deducted/collected, as the case may be, is increased by 100% (as specified in the First Schedule to the Income Tax Ordinance, 2001 (updated as per Finance Act, 2019).

(ii) Withholding Tax will be determined separately on 'persons names appearing on ATL/persons names not appearing on ATL' status of Principal Shareholder as well as Joint-holder(s) based on their shareholding proportions, in case of joint accounts.

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

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

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

(iii) As per FBR Circulars No. 1 (29) WHT/2006 dated 30th June 2010 and 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 the 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 and/or FAMCO Associates (Pvt.) Ltd. at phone: 021-34380101-5 and email address: info.shares@famco.com.pk.



Notice of Annual General Meeting

- (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 and Companies (Distribution of Dividends) Regulations, 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.

Therefore, shareholders are requested to provide the details of their bank mandate information 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 the Company's website: <http://www.security-papers.com>.

6. Unclaimed/Unpaid Shares and Dividends

In accordance with the provisions of Section 244 of the Companies Act, 2017, any shares issued or dividends 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 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 March 30, 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. Placement of Financial Accounts on Website

Pursuant to the notification of the SECP (SRO 634(I)/2014) dated July 10, 2014, the financial statements of the Company have been placed on the Company's website at www.security-papers.com.



Notice of Annual General Meeting

8. Consent for Video Link Facility

Further to SECP S.R.O. No.1027/(I)2014 dated 13th November 2014 clause 1(b) "The Company may provide video link facility to its members for attending the general meeting at places other than the town in which the general meeting is taking place after considering the geographical dispersal of its members:

Provided that if members, collectively holding 10% or more shareholding residing at a geographical location, provide their consent to participate in the meeting through video link at least 10 days prior to the date of meeting, the Company shall arrange video link facility in that city subject to availability of such facility in that city".

The Company will intimate members regarding venue of video link facility at least 5 days before the date of general meeting along with complete information necessary to enable them to access such facility.

I/We, _____ of _____, being a member of the Security Papers Limited, holder of _____ Ordinary Share(s) as per Register CDC/Folio No. _____ hereby opt for video link facility at _____.

9. Change of Address (If any)

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

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



FORM OF PROXY

I/We _____ of _____
being member(s) of SECURITY PAPERS LIMITED and holder of _____
Ordinary Shares as per Share Register Folio/CDC Account No. _____ hereby appoint _____
Folio/CDC Account No. _____ of _____ CNIC No. or Passport No: _____ or failing
whom _____ Folio/CDC Account No. _____ of _____ CNIC No. or Passport
No. _____ who is also a member of the Company as my/our proxy to attend and vote for me/us and on my/our
behalf at the 54th ANNUAL GENERAL MEETING of the Company to be held on Friday, August 30, 2019 at 11:00 am and at any
adjournment thereof.

Signed this _____ day of _____ 2019

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

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

**Rs 5/-
Revenue
Stamp**

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

CNIC or Passport No. _____

IMPORTANT

1. This form of proxy, duly completed and 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), along with proxy form to the Company.



پروکسی فارم

میں/ہم.....از.....بحیثیت سیکورٹی پیپرز لمیٹڈ کے ممبر اور حامل.....عدد عام حصص بمطابق شیئر رجسٹر فوئیو/سی ڈی سی اکاؤنٹ نمبر.....بذریعہ ہذا جناب /محترمہ.....فوئیو/سی ڈی سی اکاؤنٹ نمبر.....حامل سی این آئی سی نمبر یا پاسپورٹ نمبر.....یا بصورت دیگر.....فوئیو/سی ڈی سی اکاؤنٹ نمبر.....حامل سی این آئی سی نمبر یا پاسپورٹ نمبر.....جو کمپنی کے /کی ممبر بھی ہیں، کو کمپنی کے جمعہ 30 اگست 2019 کو صبح گیارہ بجے یا کسی ملتوی شدہ تاریخ کو منعقد ہونے والے 54 ویں سالانہ اجلاس میں اپنی جانب سے شرکت اور رائے دہی کے لیے اپنا پروکسی مقرر کرتا ہوں /کرتے ہیں۔

دستخط.....تاریخ.....2019

گواہ 1 :

دستخط

نام

پتہ

سی این آئی سی یا پاسپورٹ نمبر

دستخط

نام

پتہ

سی این آئی سی یا پاسپورٹ نمبر

گواہ 2 :

5/- روپے کا
محصول ٹکٹ

دستخط.....

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

سی این آئی سی / پاسپورٹ نمبر.....

اہم:

- 1- پروکسی فارم ہذا مکمل اور دستخط کے ہمراہ اجلاس کے انعقاد سے کم از کم اڑتالیس (48) گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں جمع کر دیا جائے۔
- 2- فارم پر ممبر یا اس کا تحریراً مقرر کردہ اٹارنی دستخط کرے گا۔ ممبر کا پوریشن ہونے کی صورت میں اس کی مہر فارم پر ثبت کرنی ہوگی۔
- 3- اجلاس میں شرکت اور رائے دہی کا اہل ممبر اپنی جانب سے شرکت اور رائے دہی کے لیے 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 ادارے

مزید براں مندرجہ ذیل شرائط پر عمل کرنا ہوگا:

- (i) پروکسی فارم پر دو افراد کی گواہی ہونی چاہیئے 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 ہوں گی۔
- (iii) پروکسی کو اجلاس کے وقت اپنا اصل سی این آئی سی یا اصل پاسپورٹ پیش کرنا ہوگا۔








- (iv) کارپوریٹ ادارے کی صورت میں ڈائریکٹرز کی قرارداد/پاور آف اٹارنی مع نامزدہ فرد کے دستخط کا نمونہ (اگر پہلے فراہم نہ کئے گئے ہوں) پروکسی فارم کے ہمراہ کمپنی کو پیش کرنے ہوں گے۔



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