13 Financial Statements of PSPC

A. F. FERGUSON & CO.
Chartered Accountants
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P.O. Box 4716
Karachi-74000

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Pakistan Security Printing Corporation (Private) Limited as at June 30, 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion-

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for the change as stated in note 5 with which we concur;

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

A. F. FERGUSON & CO.
Chartered Accountants

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Corporation's affairs as at June 30, 2017 and of the profit, its total comprehensive income, cash flows and changes in equity for the year then ended; and

(d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Chartered Accountants
Karachi, October 25, 2017

Audit Engagement Partner: Khurshid Hasan

PAKISTAN SECURITY PRINTING CORPORATION (PRIVATE) LIMITED
BALANCE SHEET
AS AT JUNE 30, 2017

	Note	2017	2016
		--------------Rupees '000--------------	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	6	52,183,635	883,284
Investment property	7	-	-
Intangibles	8	96	495
		52,183,731	883,779
Long term investment in associates	9	2,134,590	1,988,032
Other long term investments	10	27,164	120,195
Long term loans	11	96,168	61,626
Long term deposits	12	12,836	13,176
Deferred taxation	13	193,273	693,601
		54,647,762	3,760,409
CURRENT ASSETS			
Stores and spares - net	14	248,608	333,567
Stock-in-trade - net	15	2,073,947	2,515,499
Trade debts - net	16	1,702,777	2,493,084
Loans and advances	17	26,781	19,507
Trade deposits and prepayments	18	4,821	13,973
Accrued mark-up		90,233	91,708
Other receivables	19	1,744,036	23,386
Current maturity of long term investments	10	99,955	199,932
Short term investments	20	7,704,086	6,087,047
Taxation - net		398,414	221,446
Cash and bank balances	21	1,275,911	1,787,567
		15,369,569	13,786,716
TOTAL ASSETS		70,017,331	17,547,125
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 1,000,000 (June 30, 2016: 1,000,000) ordinary shares of Rs 1,000 each		1,000,000	1,000,000
Issued, subscribed and paid up capital	22	1,000,000	1,000,000
Reserves	23	6,365,491	11,166,608
TOTAL EQUITY		7,365,491	12,166,608
Surplus on revaluation of property, plant and equipment - net	24	51,505,483	-
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance leases	25	11,674	17,563
Deferred liabilities	26	3,146,267	3,622,195
		3,157,941	3,639,758
CURRENT LIABILITIES			
Trade and other payables	27	2,208,535	1,732,736
Payable to NSPC	19.1	5,774,651	-
Accrued mark-up		70	112
Current portion of liabilities against assets subject to finance leases	25	5,160	7,911
		7,988,416	1,740,759
		11,146,357	5,380,517
TOTAL EQUITY AND LIABILITIES		70,017,331	17,547,125
CONTINGENCIES AND COMMITMENTS	28		

The annexed notes 1 to 50 form an integral part of these financial statements.

Chief Financial Officer **Chief Executive Officer**

Chief Executive Officer **Director**

PAKISTAN SECURITY PRINTING CORPORATION (PRIVATE) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
		------------Rupees '000------------	
			(Represented Note 2)
CONTINUING OPERATIONS:			
Net sales		9,476,192	7,786,290
Cost of sales	29	(7,106,566)	(6,218,583)
GROSS PROFIT		2,369,626	1,567,707
Administrative expenses	30	(515,159)	(490,653)
Other expenses	31	(110,604)	(60,271)
Other income	32	686,498	514,386
		60,735	(36,538)
Operating profit		2,430,361	1,531,169
Finance cost	33	(1,915)	(1,876)
Share of profit from associates	34	562,453	381,787
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS		2,990,899	1,911,080
Taxation	35	(945,961)	(534,612)
PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS		2,044,938	1,376,468
DISCONTINUED OPERATIONS:			
Profit after taxation from discontinued operations	36	697,930	947,283
Profit for the year		2,742,868	2,323,751
		---------------Rupees---------------	
EARNINGS PER SHARE	37		
- Continuing operations		2,045	1,377
- Discontinued operations		698	947
		2,743	2,324

The annexed notes 1 to 50 form an integral part of these financial statements.

Chief Financial Officer **Chief Executive Officer**

Chief Executive Officer **Director**

PAKISTAN SECURITY PRINTING CORPORATION (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	-------------Rupees '000-------------	
Profit for the year	2,742,868	2,323,751
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit and loss		
Share of other comprehensive income of associates	(58,904)	(20,349)
Deferred tax	7,364	2,544
	(51,540)	(17,805)
Unrealised appreciation during the year on available-for-sale investments of the Corporation	5,967	783
Total items that may be reclassified subsequently to profit and loss	(45,573)	(17,022)
Items that will not be reclassified subsequently to profit and loss		
Remeasurement of post retirement benefits obligation of associates (notes 9.1 and 9.2)	2,664	23
Remeasurement of post retirement benefits obligation of the Corporation	(219,863)	(520,759)
Deferred tax	65,959	156,228
	(153,904)	(364,531)
Total items that will not be reclassified subsequently to profit and loss	(151,240)	(364,508)
Total comprehensive income for the year	2,546,055	1,942,221
Total comprehensive income for the year attributable to owners of the Corporation arising from		
- Continuing operations	1,877,855	1,093,361
- Discontinued operations	668,200	848,860
	2,546,055	1,942,221

The annexed notes 1 to 50 form an integral part of these financial statements.

Chief Financial Officer **Chief Executive Officer**

Chief Executive Officer **Director**

PAKISTAN SECURITY PRINTING CORPORATION (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
		------------Rupees '000------------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	40	3,021,234	3,125,748
Taxes paid		(1,276,150)	(1,304,041)
Pension paid		(83,163)	(84,558)
Long term loans		(51,391)	(20,194)
Long term deposits - net		46	(672)
Net cash generated from operating activities		1,610,576	1,716,283
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(124,740)	(115,947)
Purchase of intangible		-	(10)
Investment in subsidiary		(1,000,000)	-
Proceeds from sale of long term investments		200,000	-
Purchase of short term investments		(6,553,260)	(6,230,052)
Proceeds from sale of property, plant and equipment		1,414	923
Proceeds from sale of short term investments		3,653,273	6,480,508
Mark-up received		451,208	368,155
Dividends received		359,656	291,717
Net cash (utilised in) / generated from investing activities		(3,012,449)	795,294
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease rentals paid		(9,783)	(10,052)
Dividend paid		(600,000)	(600,000)
Net cash utilised in financing activities		(609,783)	(610,052)
Net (decrease) / increase in cash and cash equivalents during the year		(2,011,656)	1,901,525
Cash and cash equivalents at the beginning of the year		3,287,567	1,386,042
Cash and cash equivalents at the end of the year	41	1,275,911	3,287,567

The annexed notes 1 to 50 form an integral part of these financial statements.

Chief Financial Officer **Chief Executive Officer**

Chief Executive Officer **Director**

PAKISTAN SECURITY PRINTING CORPORATION (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2017

	Issued, subscribed and paid-up capital	Capital reserves			Revenue reserves			Total reserves	Grand total
		Surplus on revaluation of investments	Asset acquisition reserve	Sub-total capital reserves	General reserve	Unappropriated profit	Sub-total revenue reserves		
	Rupees '000								
Balance as at July 1, 2015	1,000,000	37,986	2,400,000	2,437,986	5,955,501	1,430,900	7,386,401	9,824,387	10,824,387
Transactions with owners - Final cash dividend for the year ended June 30, 2015 @ 60 % (i.e. Rs 600 per share)	-	-	-	-	-	(600,000)	(600,000)	(600,000)	(600,000)
Transfer to general reserve	-	-	-	-	40,547	(40,547)	-	-	-
Transfer to asset acquisition reserve	-	-	1,400,000	1,400,000	-	(1,400,000)	(1,400,000)	-	-
Total comprehensive income for the year ended June 30, 2016									
Profit for the year	-	-	-	-	-	2,323,751	2,323,751	2,323,751	2,323,751
Other comprehensive loss	-	(17,022)	-	(17,022)	-	(364,508)	(364,508)	(381,530)	(381,530)
	-	(17,022)	-	(17,022)	-	1,959,243	1,959,243	1,942,221	1,942,221
Balance as at June 30, 2016	1,000,000	20,964	3,800,000	3,820,964	5,996,048	1,349,596	7,345,644	11,166,608	12,166,608
Transactions with owners - Final cash dividend for the year ended June 30, 2016 @ 60% (i.e. Rs 600 per share)	-	-	-	-	-	(600,000)	(600,000)	(600,000)	(600,000)
Specie dividend - Net asset attributable to discontinued operations as on March 31, 2017	-	-	-	-	(5,131,717)	(1,616,000)	(6,747,717)	(6,747,717)	(6,747,717)
	-	-	-	-	(5,131,717)	(2,216,000)	(7,347,717)	(7,347,717)	(7,347,717)
Transfer to general reserve	-	-	-	-	23,751	(23,751)	-	-	-
Transfer to asset acquisition reserve	-	-	1,700,000	1,700,000	-	(1,700,000)	(1,700,000)	-	-
Total comprehensive income for the year ended June 30, 2017									
Profit for the year	-	-	-	-	-	2,742,868	2,742,868	2,742,868	2,742,868
Other comprehensive loss	-	(45,573)	-	(45,573)	-	(151,240)	(151,240)	(196,813)	(196,813)
	-	(45,573)	-	(45,573)	-	2,591,628	2,591,628	2,546,055	2,546,055
Surplus on revaluation of property, plant and equipment - incremental depreciation for the year - net of deferred tax	-	-	-	-	-	545	545	545	545
Balance as at June 30, 2017	1,000,000	(24,609)	5,500,000	5,475,391	888,082	2,018	890,100	6,365,491	7,365,491

The annexed notes 1 to 50 form an integral part of these financial statements.

Chief Financial Officer **Chief Executive Officer**

Chief Executive Officer **Director**

PAKISTAN SECURITY PRINTING CORPORATION (PRIVATE) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. THE CORPORATION AND ITS OPERATIONS

1.1 Pakistan Security Printing Corporation (Private) Limited ("the Corporation") was incorporated in Pakistan under the Companies Ordinance, 1984 (now Companies Act, 2017) and was wholly owned by the Government of Pakistan upto June 13, 2017. Effective June 14, 2017, the Corporation has become subsidiary of the State Bank of Pakistan. The registered office and the factory are located at Jinnah Avenue, Malir Halt, Karachi, in the province of Sindh. The Corporation is principally engaged in the printing of currency and prize bonds on behalf of the State Bank of Pakistan.

1.2 The consolidated financial statements have not been prepared for the year ended June 30, 2017 as National Security Printing Company (Private) Limited – NSPC was not a subsidiary of the Corporation at the end of the financial year i.e. as at June 30, 2017.

2. BUSINESS REORGANISATION

During the year, in accordance with the decisions taken in the Corporation's extra ordinary general meetings (EOGMs) held on December 27, 2016 and January 6, 2017, a subsidiary company [i.e. National Security Printing Company (Private) Limited – NSPC] was formed and the assets and liabilities pertaining to the Corporation's non-currency business were hived-down / transferred to NSPC through a business transfer agreement dated May 18, 2017. Subsequently, the Board of Directors of the Corporation in its meeting held on May 18, 2017 approved the distribution, effective May 19, 2017, of the Corporation's shares in NSPC to every shareholder, whose name was appearing in the register of members of the Corporation with the ratio of 1 share of NSPC for 1000 shares held in the Corporation, as dividend in specie.

Consequently, the profit and loss and net cash flows attributable to the operating, investing and financing activities (including those relating to the prior period, as 're-presented') pertaining to non-currency business of the Corporation have been disclosed as discontinued operations in these financial statements.

3. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

3.1 Basis of measurement

These financial statements have been prepared under the historical cost convention unless otherwise specifically stated.

3.2 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. As per the requirements of circular No. CLD/CCD/PR(11)/2017 dated July 20, 2017 issued by the Securities & Exchange Commission of Pakistan (SECP), companies the financial year of which closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives under the Companies Ordinance, 1984 prevail.

3.3 New standards, amendments to approved accounting standards and new interpretations

3.3.1 Standard and amendments to approved accounting standards which became effective during the year ended June 30, 2017

There were certain new amendments to the approved accounting standards which became effective during the year ended June 30, 2017 but are considered not to be relevant or have any significant effect on the Company's financial reporting and are, therefore, not disclosed in these financial statements.

3.3.2 **Amendments to approved accounting standards that are effective for the Corporation's accounting periods beginning after July 1, 2017:**

There are certain new standards and amendments to the approved accounting standards that will become effective for the Corporation's annual accounting periods beginning on or after July 1, 2017. However, these amendments will not have a significant impact on the financial reporting of the Corporation and, therefore, have not been disclosed in these financial statements. The following new standards have been notified by the SECP to be applicable for the annual accounting periods beginning July 1, 2018, the impacts of which on the Corporation's future financial statements are being assessed:

IFRS 9 Financial Instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities.

IFRS 15 Revenue from Contracts with Customers

This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

In addition to the foregoing, the Companies Act 2017 which is not effective on these financial statements, has added certain disclosure requirements which will be applicable in future and also there may be certain changes in the measurement and presentation of the surplus on revaluation of property, plant and equipment.

3.4 Property, plant and equipment

3.4.1 Owned

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment, if any, except for land and buildings which upto March 31, 2017 were stated at cost less accumulated depreciation and accumulated impairment, if any. As more fully stated in note 5 to these financial statements, with effect from April 1, 2017, the Corporation has revised its accounting policy in respect of lands and buildings due to which these are now carried at revalued amounts less any accumulated depreciation and subsequent accumulated impairment, if any.

Depreciation is charged to profit and loss account applying the straight line method whereby the depreciable amount of an asset is depreciated over its estimated useful life at the rates specified in note 6.1 to these financial statements.

Depreciation on additions is charged from the month in which the asset is available for use and continued to be depreciated until it is derecognised, that is, upto the month preceding the month of disposal. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use.

No depreciation is charged if the asset's residual value exceeds its carrying amount.

Residual values, useful lives and methods of depreciation are reviewed at each balance sheet date and adjusted if expectations differ significantly from previous estimates.

Useful lives are determined by the management based on expected usage of the asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than the recoverable amount.

Major renewals, replacements and improvements that meet the recognition criteria in IAS 16 "Property, Plant and Equipment" are capitalised and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the profit and loss account as and when incurred. Gains and losses on disposals of the assets are included in the profit and loss account in the year in which disposal is made.

3.4.2 Capital work in progress

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

3.4.3 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 financial charges allocable to future periods.

The financial 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 owned by the Corporation.

3.5 Investment properties

Consistent with prior years, investment properties, principally leasehold building, are held for long term rental yields and are not occupied by the Corporation. Investment properties are measured initially at cost, including related transaction costs. These properties are carried at cost.

Additions to investment properties consists of cost of capital nature. The profit on disposal is determined as a difference between sales proceeds and the carrying amount of the assets at the commencement of the accounting period plus capital expenditure in the period.

3.6 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

Intangible assets are recognised when it is probable that the expected future economic benefits will flow to the entity and the cost of the asset can be measured reliably. Cost of the intangible asset includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

Costs associated with maintaining computer software are recognised as an expense as and when incurred.

Amortisation is charged to the profit and loss account on a straight line basis over the estimated useful life at the rates specified in note 8.1 to these financial statements unless such lives are indefinite. All intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Amortisation on additions to intangible assets is charged from the date on which an item is acquired or capitalised and upto the date preceding the disposal.

Useful lives of intangible operating assets are reviewed, at each balance sheet date and adjusted if the impact of amortisation is significant.

3.7 Impairment

The Corporation assesses at each balance sheet date whether there is any indication that property, plant and equipment and intangible assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed recoverable amounts, assets are written down to their recoverable amounts and the differences are recognised in the profit and loss account.

3.6 Stores and spares

Stores and spares are valued at the lower of cost determined on weighted average method and net realisable value. Stores and spares in transit are valued at cost incurred upto the balance sheet date. Local purchases of engineering stores are charged to the profit and loss account at the time of purchase.

The Corporation reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form.

3.7 Stock-in-trade

Raw materials are valued at lower of cost determined on weighted average basis and net realisable value except for items in transit which are stated at cost incurred upto the balance sheet date.

Work-in-process and finished goods are valued at lower of cost determined 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.

3.10 Trade debts and other receivables

Trade debts and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for doubtful trade debts and other receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Debts, considered irrecoverable, are written off, as and when identified.

3.11 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in profit and loss account or statement of comprehensive income to which it relates.

Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and tax paid on final tax basis or minimum tax on turnover or seventeen percent of accounting profit, whichever is higher. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from the assessments made / finalised during the year.

Deferred tax

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of the assets and liabilities and their tax bases.

Deferred tax liabilities are recognised for all major taxable temporary differences.

Deferred tax assets are recognised for all major deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date and is recognised only to the extent that it is probable that future taxable profits will be available against which the assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it becomes probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is utilised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

3.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise of cash in hand, deposits held with banks and other short term highly liquid investments with maturities of three months or less from the date of acquisition.

3.13 Borrowing costs

Borrowing costs relating to the acquisition, construction or production of a qualifying asset are recognised as part of the cost of that asset. All other borrowing costs are recognised as an expense in the period in which these are incurred.

3.14 Provisions

Provisions are recognised when the Corporation has a present 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 can be made of the amount of the obligation. Provisions are reviewed periodically and adjusted to reflect the current best estimates.

3.15 Trade and other payables

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

3.16 Leases

Liabilities against assets subject to finance lease are accounted for at the net present value of minimum payments under the lease arrangements. Financial charges under lease arrangements are allocated to periods during the lease term so as to produce a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

3.17 Staff retirement benefits

Defined benefit plan

The Corporation operates an approved defined benefit funded pension scheme for all its permanent employees under the Pakistan Security Printing Corporation (Private) Limited Employees (Pension and Gratuity) Regulations 1993 (the regulations). During the year as a result of business reorganisation (note 2 above), employees relating to NSPC were transferred to NSPC and as per the business transfer agreement dated May 19, 2017 the cost of gratuity or pension are to be borne by transferee company i.e. NSPC, accordingly, the pension fund has become a multi-employer fund. Contribution to the pension fund is made based on the actuarial valuation carried out on annual basis using Projected Unit Credit method. All actuarial gains and losses are recognised in "other comprehensive income" as they occur. Under the scheme, the employees are entitled to the following:

(a) employees who have completed the prescribed qualifying period of more than ten years of service and opt for the scheme are entitled to post retirement pension benefit; and

(b) gratuity for employees who have opted for gratuity instead of pension or those who have completed five years of service but have not yet completed ten years of service. Provision for gratuity has been calculated on the basis of projected unit credit method.

3.18 Employees' compensated absences

The Corporation accounts for the liability in respect of employees' compensated absences in the year in which these are earned. Annual provisions to cover the obligations under the scheme are based on estimates and are charged to profit and loss account currently. As the component of the liability involved is not material, the Corporation does not carry out actuarial valuation for the said liability.

3.19 Revenue recognition

- Revenue from sale of goods is measured at fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. The Corporation records revenue from sale of goods on dispatch of goods to its customers.
- Rental income from property is accrued on time proportion basis at agreed rates.
- Interest income on available-for-sale debt securities, held-to-maturity investments and loans and receivables are recognised using effective interest rate method.
- Return on bank deposits is recognised on accrual basis taking into account the effective yield.
- Dividend income is recognised when the Corporation's right to receive the dividend is established.
- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.
- Unrealised gains / (losses) arising on revaluation of securities classified as held for trading are included in profit and loss account in the period in which they arise.
- Scrap sales and miscellaneous income are recognised on receipt basis.
- Unrealised gains / (losses) arising on revaluation of securities classified as 'available-for-sale' are included in other comprehensive income in the period in which they arise.

3.20 Foreign currency transactions

These financial statements are presented in Pakistan Rupee (functional and presentation currency). Transactions in foreign currencies are recorded in Pakistan Rupee at the exchange rates approximating those prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are reported in Pakistan Rupee at the exchange rates approximating those prevalent at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange differences are recognised in the profit and loss account.

3.21 Dividend and other appropriations

Dividend is recognised as a liability in the period in which it is declared. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

3.22 Financial instruments

3.22.1 Financial assets

The Corporation classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

b) Loans and receivables

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

c) Held to maturity

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that are quoted in an active market, where management has the intention and ability to hold till maturity are carried at amortised cost.

d) Available for sale financial assets

These are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date. Available for sale financial assets in such case are classified as short term investments in the balance sheet.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised as "Other comprehensive income" are included in the profit and loss account as gains and losses on disposal of short term investments. Interest on available for sale securities calculated using effective interest method is recognised in the profit and loss account. Dividends on available for sale equity instruments are recognised in the profit and loss account when the Corporation's right to receive payments is established.

3.22.2 Recognition

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

3.22.3 Measurement

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. 'Loans and receivables' and 'held to maturity' investments are carried at amortised cost using effective interest rate method.

3.22.4 Fair value measurement principles

Gains or losses arising, from changes in the fair value of the 'financial assets at fair value through profit or loss' are recognised in the profit and loss for the year. Changes in the fair value of instruments classified as 'available for sale' are recognised in 'Other comprehensive income' until derecognised or impaired, when the accumulated fair value adjustments recognised in unrealised surplus on revaluation of investments are included in the profit / loss for the year.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (for unlisted securities), the Corporation measures the investments at cost less impairment in value, if any.

3.22.5 Derecognition

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

3.22.6 Impairment

Financial assets other than those carried at fair value through profit or loss are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account. If an available-for-sale investment is impaired, the cumulative loss is removed from equity and is recognised in the profit and loss account.

If in subsequent period the amount of impairment loss decreases, the reduction in impairment loss on financial assets other than the investments classified as available-for-sale are recognised in the profit and loss account. However, impairment losses recognised in the profit and loss account on available-for-sale equity instruments are not reversed through the profit and loss account.

3.22.7 Financial liabilities

All financial liabilities are recognised at the time when the Corporation becomes a party to the contractual provisions of the instrument.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

3.22.8 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the financial statements if the Corporation has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.23 Contingent liabilities

A contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Corporation; or

- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

3.24 Investment in associates

Entities in which the Corporation has significant influence but not control and which are neither its subsidiaries nor joint ventures are classified as associates and are accounted for by using the equity method of accounting.

These investments are initially recognised at cost, thereafter the carrying amount is increased or decreased to recognise the Corporation's share of profit or loss of associates. Share of post acquisition profit and loss of associates is accounted for in the Corporation's profit and loss account. Distribution received from investee reduces the carrying amount of investment. The Corporation's share of associate's other comprehensive income is recognised in other comprehensive income of the Corporation.

The carrying amount of the investment is tested for impairment, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount and loss, if any is recognised in the profit and loss account.

Unrealised gains / losses arising from transactions with associated companies are eliminated against the investment in the associates to the extent of Corporation's interest in the associates. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

The Corporation accounts for its share of comprehensive income from associates as at year end on the basis of latest available financial statement of associates but not older than three months.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In the process of applying the Corporation's accounting policies, the management has made the following estimates and judgments which are significant to the financial statements:

a) Assumptions and estimates used in determining the recoverable amount, residual values and useful lives of property, plant and equipment (note 6);

b) Assumptions and estimates used in determining the fair value of land and buildings (note 6);

c) assumptions and estimates used in determining the useful lives and residual values of intangibles (note 8);

d) assumptions and estimates used in the recognition of current and deferred taxation (notes 13 and 35);

e) assumptions and estimates used in determining the provision for slow moving stores and spares (note 14);

f) assumptions and estimates used in writing down items of stock-in-trade to their net realisable value (note 15);

g) assumptions and estimates used in calculating the provision for impairment for trade debts (note 16);

h) assumptions and estimates used in measurement of fair value of investments (note 20);

i) assumptions and estimates used in accounting for defined benefit plan (note 26); and

j) assumptions and estimates used in disclosure and assessment of provision for contingencies (note 28).

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

5. CHANGE IN ACCOUNTING POLICY

Upto March 31, 2017, the land and buildings of the Corporation were stated at cost less accumulated depreciation and impairment, if any. With effect from April 1, 2017, the Corporation has revised its accounting policy in respect of subsequent measurement of land and buildings which are now carried at revalued amount less accumulated depreciation and impairment, if any. The management believes that the new policy provides reliable and more relevant information to the users of these financial statements because the land and buildings were purchased / constructed several years back and therefore cost of these assets does not represent the current values.

In accordance with the requirements of International Accounting Standard (IAS) 8 'Accounting policies, changes in accounting estimates and errors' and IAS 16 'Property, plant and equipment', the change in this policy is accounted for prospectively with effect from April 1, 2017. Accordingly, there is no impact as at the beginning of the earliest period presented i.e. July 1, 2015.

Had there been no change in the accounting policy, property plant and equipment would have been reported at Rs 482.122 million at the reporting date and profit before tax for the year would have been higher by Rs 0.545 million.

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		Note	2017	2016
6.	**PROPERTY, PLANT AND EQUIPMENT**		---------------Rupees '000---------------	
	Operating fixed assets	6.1	52,174,773	846,151
	Capital work in progress	6.3	8,862	37,133
			52,183,635	883,284

6.1 Operating fixed assets

6.1.1 The following is a statement of operating fixed assets:

	Owned									Leased	Total
	Freehold land	Building on Freehold land	Building on Leasehold land	Plant and machinery	Power and other installation	Furniture and fixtures	Office equipment and machinery	Vehicles	Sub total	Vehicles	
	---------- (Rs in '000) ----------										
As at July 1, 2015											
Cost	3,241	434,148	2,732	7,425,364	284,865	53,213	229,533	18,949	8,452,045	45,392	8,497,437
Accumulated depreciation	-	(311,074)	(2,732)	(6,501,951)	(171,263)	(41,399)	(184,127)	(18,370)	(7,230,916)	(21,039)	(7,251,955)
Net book value	3,241	123,074	-	923,413	113,602	11,814	45,406	579	1,221,129	24,353	1,245,482
Year ended June 30, 2016											
Additions	-	2,145	-	15,584	-	2,177	16,448	46	36,400	7,692	44,092
Transfers from capital work in progress during the year (note 6.3.1)	-	2,464	-	74,992	-	-	-	-	77,456	-	77,456
Transfers											
Cost	-	-	-	-	-	-	-	3,770	3,770	(3,770)	-
Accumulated depreciation	-	-	-	-	-	-	-	(3,656)	(3,656)	3,656	-
Net book value	-	-	-	-	-	-	-	114	114	(114)	-
Disposals											
Cost	-	-	-	-	-	-	-	(3,815)	(3,815)	-	(3,815)
Accumulated depreciation	-	-	-	-	-	-	-	3,771	3,771	-	3,771
Net book value	-	-	-	-	-	-	-	(44)	(44)	-	(44)
Depreciation charge for the year	-	(11,045)	-	(459,548)	(24,606)	(2,684)	(13,983)	(369)	(512,235)	(8,600)	(520,835)
Net book value as at June 30, 2016	3,241	116,638	-	554,441	88,996	11,307	47,871	326	822,820	23,331	846,151
Year ended June 30, 2017											
Additions	-	-	-	4,982	519	1,707	3,423	-	10,631	-	10,631
Transfers from capital work in progress during the year (note 6.3.1)	-	2,503	-	133,844	-	-	-	-	136,347	-	136,347
Transfers											
Cost	-	-	-	-	-	-	-	3,846	3,846	(3,846)	-
Accumulated depreciation	-	-	-	-	-	-	-	(3,398)	(3,398)	3,398	-
Net book value	-	-	-	-	-	-	-	448	448	(448)	-
Disposals											
Cost	-	-	-	-	-	-	-	(5,281)	(5,281)	-	(5,281)
Accumulated depreciation	-	-	-	-	-	-	-	5,228	5,228	-	5,228
Net book value	-	-	-	-	-	-	-	(53)	(53)	-	(53)
Depreciation charge for the year	-	(11,991)	-	(126,519)	(24,062)	(2,771)	(12,751)	(538)	(178,632)	(7,035)	(185,667)
Transfer to investment											
Cost	-	-	(2,732)	-	-	-	-	-	(2,732)	-	(2,732)
Accumulated depreciation	-	-	2,732	-	-	-	-	-	2,732	-	2,732
	-	-	-	-	-	-	-	-	-	-	-
Discontinued operations - note 36											
Cost	-	-	-	(1,256,741)	(5,208)	(13,053)	(55,753)	-	(1,330,755)	(3,111)	(1,333,866)
Accumulated depreciation	-	-	-	937,816	3,090	12,121	52,629	-	1,005,656	2,145	1,007,801
	-	-	-	(318,925)	(2,118)	(932)	(3,124)	-	(325,099)	(966)	(326,065)
Revaluation adjustment											
Cost	51,068,759	293,872	-	-	-	-	-	-	51,362,631	-	51,362,631
Accumulated depreciation	-	330,798	-	-	-	-	-	-	330,798	-	330,798
	51,068,759	624,670	-	-	-	-	-	-	51,693,429	-	51,693,429
Net book value as at June 30, 2017	51,072,000	731,820	-	247,823	63,335	9,311	35,419	183	52,159,891	14,882	52,174,773
As at June 30, 2016											
Cost	3,241	438,757	2,732	7,515,940	284,865	55,390	245,981	18,950	8,565,856	49,314	8,615,170
Accumulated depreciation	-	(322,119)	(2,732)	(6,961,499)	(195,869)	(44,083)	(198,110)	(18,624)	(7,743,036)	(25,983)	(7,769,019)
Net book value	3,241	116,638	-	554,441	88,996	11,307	47,871	326	822,820	23,331	846,151
As at June 30, 2017											
Cost	51,072,000	735,132	-	6,398,025	280,176	44,044	193,651	17,515	58,740,543	42,357	58,782,900
Accumulated depreciation	-	(3,312)	-	(6,150,202)	(216,841)	(34,733)	(158,232)	(17,332)	(6,580,652)	(27,475)	(6,608,127)
Net book value	51,072,000	731,820	-	247,823	63,335	9,311	35,419	183	52,159,891	14,882	52,174,773
Annual rates of depreciation	-	5%	5%	10%	10% - 20%	10% - 20%	10% - 33%	20%		20%	

6.1.2 Subsequent to completion of the revaluation exercise as at March 31, 2017, a reassessment of the fair values of the land and buildings was conducted as at June 30, 2017, whereby it was confirmed that there is no material change in the values assessed as at March 31, 2017.

The fair valuation of land has been assessed based on the use of the land which is not its current use i.e. 'highest and best use' concept. The Corporation is continuing with the land's current use because of the fact that the complete printing facility / factory is situated on such land.

The land has been valued on the basis of fair market value while buildings' revaluation represents current cost of construction for relevant type of civil works. Land and buildings are carried at revalued amounts (level 3) determined by professional valuer based on their assessment of the market values. The unobservable inputs used in the valuations can not be determined with certainty, accordingly, a qualitative disclosure of sensitivity has not been presented in these special purpose financial statements.

6.1.3 Had there been no revaluations, related figures would have been as follows:

	Net book value 2017 Rupees '000
Freehold land	3,241
Building on leasehold land	107,928

6.2 Depreciation charge for the year has been allocated as follows:

	Note	**2017**	**2016**
		--------------Rupees '000--------------	
			(Represented - Note 2)
Cost of sales attributable to:			
- Continuing operations	29	98,771	417,310
- Discontinued operations		59,959	74,218
		158,730	491,528
Administrative expenses attributable to:			
- Continuing operations	30	24,637	26,840
- Discontinued operations		2,300	2,467
		26,937	29,307
		185,667	520,835

		2017	**2016**
		--------------Rupees '000--------------	
6.3	Capital work in progress		
	Civil works	4,374	4,099
	Plant and machinery	4,488	33,034
		8,862	37,133

6.3.1 The movement in capital work in progress is as follows:

	Note	2017	2016
Balance as at beginning of the year		37,133	35,042
Additions during the year			
- Plant and machinery		111,331	72,984
- Civil works		2,778	6,563
		114,109	79,547
Transfers to operating fixed assets			
- Plant and machinery		(133,844)	(74,992)
- Building on freehold land		(2,503)	(2,464)
		(136,347)	(77,456)
Less: Discontinued operations	36	(6,033)	-
Balance at end of the year		8,862	37,133

7. INVESTMENT PROPERTY

	2017 Rupees '000
Cost	2,732
Accumulated depreciation	(2,732)
Balance as at June 30, 2017	-

7.1 For better presentation, the investment property has been separately classified in these financial statements. The impact of this reclassification is not material in the overall context of these financial statements.

7.2 During the year a revaluation exercise was carried out by an independent valuer. The fair value the investment property was assessed to be Rs 32.315 million as at March 31, 2017.

8. INTANGIBLES

	Note	2017	2016
		--------------Rupees '000--------------	
Computer software			
As at July 1			
Cost		21,246	21,236
Accumulated amortisation		(20,751)	(20,345)
Net book value		495	891
Year ended June 30			
Additions during the year		-	10
Amortisation for the year	8.1 & 8.2	(252)	(406)
Less: Discontinued operations	36		
- Cost		(713)	-
- Accumulated depreciation		566	-
Net book value as at June 30		96	495
As at June 30			
Cost		20,533	21,246
Accumulated amortisation		(20,437)	(20,751)
Net book value		96	495

8.1 Computer software are being amortised over a useful life of 5 years.

8.2 Amortisation charge for the year has been allocated as follows:

	Note	2017	2016
		--------------Rupees '000--------------	
			(Represented - Note 2)
Cost of sales attributable to:			
- Continuing operations	29	109	109
- Discontinued operations		107	143
		216	252
Administrative expenses attributable to:			
- Continuing operations	30	36	154
		252	406

9. LONG TERM INVESTMENTS IN ASSOCIATES

Investments in the following associates are accounted for using equity method of accounting:

	Note	2017	2016
		--------------Rupees '000--------------	
Security Papers Limited	9.1	1,624,763	1,557,788
SICPA Inks Pakistan (Private) Limited	9.2	509,827	430,244
		2,134,590	1,988,032

9.1 Security Papers Limited

	Note	2017	2016
Ownership interest		40.03%	40.03%
Cost		5,032	5,032
Share of post acquisition after tax profits	9.3 & 9.4	2,608,621	2,306,785
Share in after tax other comprehensive income	9.4	(64,042)	(7,094)
Effect of restatement on other comprehensive income		7,970	7,970
Dividend received		(932,818)	(754,905)
		1,624,763	1,557,788

9.2 SICPA Inks Pakistan (Private) Limited

	Note	2017	2016
Ownership interest		47.00%	47.00%
Cost		26,790	26,790
Share of post acquisition after tax profits	9.6	1,422,945	1,162,328
Effect of restatement on after tax profits		375	375
Share in after tax other comprehensive income	9.6	(2,666)	(3,375)
Effect of restatement on other comprehensive income		(528)	(528)
Dividend received	9.7	(937,089)	(755,346)
		509,827	430,244

9.3 The movement in share of post acquisition after tax profit for Security Papers Limited (SPL) is as follows:

	Note	2017	2016
		--------------Rupees '000--------------	
Opening balance		2,306,785	2,111,737
Share of after tax profit from associate			
For the year ended June 30	9.4	375,342	252,537
Unrealised gain on transactions	9.5	(73,506)	(57,489)
		301,836	195,048
Closing balance		2,608,621	2,306,785

9.4 These amounts are based on audited annual financial statements of SPL as at and for the year ended June 30, 2017.

9.5 This represents the effect of elimination of unrealised gain on transactions between the associate i.e. SPL and the Corporation to the extent of its interest in the associate (40.03%).

9.6 These amounts are based on annual audited financial statements of SICPA Inks Pakistan (Private) Limited (SICPA) as at and for the year ended December 31, 2016 which have been adjusted using the unaudited interim financial information for the three months periods ended March 31, 2016 and 2017.

9.7 During the year ended June 30, 2017, the Corporation received a dividend from SICPA subsequent to March 31, 2017 (being the date of the associate's financial information used for recording share of profit from associate) amounting to Rs 181.743 million (2016: Rs 133.657 million) which has been adjusted in the carrying value of investment in associate as at June 30, 2017.

9.8 Summarised financial statements of the associates are as follows:

	Security Papers Limited (audited)		**SICPA Inks Pakistan (Private) Limited (unaudited)**	
	June 30, 2017	**June 30, 2016**	**March 31, 2017**	**March 31, 2016**
	Rupees '000			
Assets	5,679,207	5,272,613	1,982,402	1,562,288
Liabilities	1,078,750	1,023,124	510,972	362,497

	Year ended June 30,		**Year ended March 31,**	
	2017	**2016**	**2017**	**2016**
	Rupees '000			
Revenue	2,842,085	2,583,566	2,519,454	1,910,764
Profit after tax	937,653	630,871	554,503	397,318
Other comprehensive (loss) / income	(142,265)	(46,016)	1,509	(4,057)

9.9 The market value of SPL as at June 30, 2017 is Rs 145.95 per share (2016: Rs 105.59 per share) i.e. an aggregate amount of Rs 3,462.188 million (2016: Rs 2,504.779 million). The breakup value based on net assets of SICPA as per latest unaudited financial statements as on March 31, 2017 is Rs 258.150 per share (March 31: Rs 210.49 per share) i.e. an aggregate amount of Rs 691.572 million (March 31: Rs 563.902 million).

10. OTHER LONG TERM INVESTMENTS

	Note	2017	2016
		--------------Rupees '000--------------	
Available-for-sale - Al Hamra Islamic Stock Fund (formely MCB Pakistan Islamic Stock Fund)	10.1	27,164	21,197
Held-to-maturity - Pakistan Investment Bonds	10.2	99,955	298,930
Less: Current maturity		(99,955)	(199,932)
		-	98,998
		27,164	120,195

10.1 Available-for-sale investment include:

2017	2016	Name of investee	2017	2016
-------- Number of units -------			--------------Rupees '000--------------	
2,217,429	1,995,981	Al Hamra Islamic Stock Fund (formerly MCB Pakistan Islamic Stock Fund)	27,164	21,197

This represents available-for-sale investment at fair value with Al Hamra Islamic Stock Fund (formely MCB Pakistan Islamic Stock Fund) having cost of Rs 10 million (2016: Rs 10 million).

10.2 This represents Pakistan Investment Bonds having face value of Rs 200 million and Rs 100 million carrying a coupon rate of 11.25% each having maturity on July 18, 2016 and July 17, 2017, respectively.

11. LONG TERM LOANS

	2017	2016
	--------------Rupees '000--------------	
Long term loans to employees	106,818	68,111
Less: Current maturity	(10,650)	(6,485)
	96,168	61,626

11.1 The amount represents a housing loan scheme introduced by the Corporation for all its permanent employees who have completed a minimum service period of eight years. The loan is granted to selected employees on the basis of the years of service with the Corporation with equal opportunity for the employees in all categories. The loan is granted at a service cost of 3% per annum on the outstanding loan amount. The loan is repayable in 10 years in equal monthly installments.

11.2 The fair value adjustment in accordance with the requirements of IAS 39 arising in respect of these loans is not considered material in the overall context of these financial statements and hence not recognised.

12. LONG TERM DEPOSITS

	Note	2017	2016
		--------------Rupees '000--------------	
Considered good			
Security deposits	12.1	7,766	7,180
Lease deposits		3,697	4,623
Others		1,373	1,373
		12,836	13,176

12.1 These include deposits provided to K-Electric Limited, Sui Southern Gas Company Limited and Karachi Water & Sewerage Board in respect of utilities availed by the Corporation from respective suppliers.

13. DEFERRED TAXATION

	2017	2016
	--------------Rupees '000--------------	
Deductible temporary differences		
Property, plant and equipment	467	30,844
Stores and spares	8,176	12,770
Stock-in-trade	15,321	19,244
Trade debts	-	100,154
Loans and advances	1,667	1,722
Other receivables	8,846	9,141
Liabilties under finance lease	5,053	7,721
Deferred liabilities - pension payable	626,542	771,156
	666,072	952,752
Taxable temporary differences		
Long term investment in associates	(262,849)	(244,526)
Short term investments	(22,782)	(14,625)
Surplus on revaluation of property plant and equipment	(187,168)	-
	(472,799)	(259,151)
Deferred taxation asset	193,273	693,601

13.1 The movement in temporary differences is as follows:

	Balance as at July 1, 2016	Recognised in profit or loss	Recognised in revaluation surplus	Recognised in OCI	Transfer to NSPC (note 36)	Balance as at June 30, 2017
	----------------------------	----------------------------	------------Rupees '000	------------	----------------------------	----------------------------
Property, plant and equipment and equipment	30,844	(12,035)	-	-	(18,342)	467
Long term investment in associates	(244,526)	(25,687)	-	7,364	-	(262,849)
Stores and spares	12,770	866	-	-	(5,460)	8,176
Stock-in-trade	19,244	(1,442)	-	-	(2,481)	15,321
Trade debts	100,154	7,318	-	-	(107,472)	-
Loans and advances	1,722	(55)	-	-	-	1,667
Other receivables	9,141	(295)	-	-	-	8,846
Short term investments	(14,625)	(24,834)	-	-	16,677	(22,782)
Liabilties under finance lease	7,721	(2,328)	-	-	(340)	5,053
Deferred liabilities - pension payable	771,156	-	-	65,959	(210,573)	626,542
Revaluation surplus on property plant and equipment	-	233	(187,401)	-	-	(187,168)
	693,601	(58,259)	(187,401)	73,323	(327,991)	193,273

14. STORES AND SPARES

	Note	2017	2016
		--------------Rupees '000--------------	
Engineering spares			
- in hand		187,213	234,672
- in transit		3,057	22,896
		190,270	257,568
General stores			
- in hand		84,083	114,218
- in transit		1,506	2,974
		85,589	117,192
		275,859	374,760
Provision for slow moving stores and spares	14.1	(27,251)	(41,193)
		248,608	333,567

14.1 Provision for slow moving stores and spares

	2017	2016
Opening balance	41,193	36,975
Provision made during the year	8,567	5,748
Provision no longer required written back	(4,310)	(1,530)
Provision transferred to NSPC	(18,199)	-
	(13,942)	4,218
Closing balance	27,251	41,193

15. STOCK-IN-TRADE

	Note	2017	2016
Raw materials			
- in hand		1,139,816	1,485,934
- in transit		4,654	50,999
	15.1	1,144,470	1,536,933
Work-in-process	15.1	746,330	952,508
Finished goods	15.1	234,216	88,132
		2,125,016	2,577,573
Provision for slow moving and obsolete stock-in-trade	15.2	(51,069)	(62,074)
		2,073,947	2,515,499

15.1 The balances of raw material, work-in-progress and finished goods as at June 30, 2016 pertaining to the discontinued operations aggregate to Rs 611.302 million, Rs 131.382 million and Rs 44.605 million respectively.

15.2 Provision for slow moving and obsolete stock-in-trade

	2017	2016
	--------------Rupees '000--------------	
Opening balance	62,074	64,852
Provision made during the year	3,626	2,185
Provision no longer required written back	(4,138)	(4,963)
Write off against provision	(2,224)	-
Provision transferred to NSPC	(8,269)	-
	(11,005)	(2,778)
Closing balance	51,069	62,074

16. TRADE DEBTS

	Note	2017	2016
		-----------Rupees '000-----------	
Unsecured			
Considered good			
- Due from related parties	16.1 & 16.4	1,702,777	2,462,883
- Due from others	16.3	-	30,201
		1,702,777	2,493,084
Considered doubtful			
- Due from a related party		-	322,669
- Due from others		-	408
		-	323,077
		1,702,777	2,816,161
Less: Provision for doubtful debts	16.2	-	(323,077)
		1,702,777	2,493,084

16.1 Trade debts include the following amounts due from related parties:

	2017	2016
State Bank of Pakistan	1,702,777	866,409
Director General Pakistan Post Office	-	1,407,061
Director General Immigration and Passports	-	512,082
	1,702,777	2,785,552

16.2 Provision for doubtful debts

	2017	2016
Opening balance	323,077	74,639
Provision made during the year	493,794	1,095,534
Provision no longer required written back	(458,632)	(847,096)
	35,162	248,438
Provision transferred to NSPC	(358,239)	-
Closing balance	-	323,077

16.3 As at June 30, 2017, trade debts due from other than related parties of Rs Nil (2016: Rs 30.201 million) were past due but not impaired. These related to a number of independent customers with whom there was no history of default. The ageing analysis of these trade receivables was as follows:

	2017	2016
	-----------Rupees '000-----------	
Upto 1 month	-	9,432
1 to 6 months	-	17,868
More than 6 months	-	2,901
	-	30,201

16.4 Ageing analysis of the amounts due from related parties is as follows:

	Upto 1 month	1 to 6 months	More than 6 months	As at June 30, 2017	As at June 30, 2016
	----------Rupees '000----------				
State Bank of Pakistan	788,031	914,746	-	1,702,777	866,409
Director General Pakistan Post Office (note 16.5)	-	-	-	-	1,407,061
Director General Immigration and Passports	-	-	-	-	512,082
	788,031	914,746	-	1,702,777	2,785,552

16.4.1 The Corporation does not consider balance aged upto one month as 'past due'.

16.5 The balance from Director General Pakistan Post Office includes an amount of Rs Nil (2016: Rs 322.669 million) that is past due and impaired.

16.6 As at June 30, 2017, trade debts outstanding for more than one year amounted to Rs Nil (2016: Rs 323.077 million) were impaired.

16.7 Receivable from State Bank of Pakistan (SBP) is pledged as security against running finance facility obtained by the Corporation from Bank Al-Habib Limited (note 39). The related No Objection Certificate has been obtained from SBP vide SBP's letter number CMD/211/2-2011 dated March 2, 2011.

17. LOANS AND ADVANCES

	Note	2017	2016
		-----------Rupees '000-----------	
Advances - Considered good			
Suppliers		15,177	11,991
Employees		954	1,031
		16,131	13,022
Loans - Considered good			
Employees		10,650	6,485
Advances - Considered doubtful			
Suppliers		5,556	5,556
Less: Provision for doubtful balances		(5,556)	(5,556)
		-	-
		26,781	19,507

18. TRADE DEPOSITS AND PREPAYMENTS

	2017	2016
Deposits with excise and custom authorities	1,044	1,044
Margin against letter of credit	-	8,237
Deposits with Pakistan National Shipping Corporation (PNSC)	-	200
Other deposits	-	421
	1,044	9,902
Short-term prepayments	3,777	4,071
	4,821	13,973

19. OTHER RECEIVABLES

	Note	2017	2016
Considered good			
Advance sales tax		-	22,275
Workers' profits participation fund	27.4	8,260	-
Insurance claim		113	123
Others		1,847	988
Receivable on behalf of NSPC	19.1	1,733,816	-
balance carried forward		1,744,036	23,386

	2017	2016
	-----------Rupees '000-----------	
balance brought forward	1,744,036	23,386
Considered doubtful		
Sales tax recoverable		
- On sale of assets to SICPA Inks Pakistan (Private) Limited	26,529	26,529
- Others	2,959	2,959
	29,488	29,488
	1,773,524	52,874
Less: Provision for doubtful balances	(29,488)	(29,488)
	1,744,036	23,386

19.1 This represents amount to be collected on behalf of NSPC on no-charge basis in accordance with the common facilities agreement dated May 19, 2017. The related payable has been separately recognised on the balance sheet.

20. SHORT TERM INVESTMENTS

	Note	2017	2016
		-----------Rupees '000-----------	
Loans and receivables - Term deposit receipts	20.1	6,122,000	4,822,000
Designated as at fair value through profit or loss - Investments in Mutual funds	20.2 & 20.3	1,582,086	1,265,047
		7,704,086	6,087,047

20.1 This represents term deposit receipts maturing upto 12 months with various banks bearing mark-up ranging from 5.6% to 6.15% (2016: 5.6% to 7.6%) per annum. Term deposit receipt of Rs 22 million (2016: Rs 22 million) with Faysal Bank Limited is marked under lien against bank guarantee (note 28.1.3).

20.2 Designated as at fair value through profit or loss - Investments in Mutual funds:

2017	2016	Name of investee	2017	2016
---------- Number of units ---------			-----------Rupees '000-----------	
666,328	633,652	MCB Cash Management Optimizer Fund	66,978	63,579
6,758,035	6,385,120	Meezan Islamic Fund	516,381	422,759
669,794	640,442	MCB DCF Income Fund	71,286	67,915
6,168,107	6,011,758	ABL Islamic Stock Fund	106,798	81,706
115,695	110,732	Atlas Money Market Fund	58,063	55,488
-	550,287	NAFA Islamic Principal Protected Fund II	-	61,740
-	2,000,000	Meezan Capital Preservation Fund II	-	122,760
-	2,096,103	MFPF Meezan Capital Preservation Plan I	-	116,628
7,538,791	7,028,702	NAFA Islamic Asset Allocation Fund	128,778	107,548
17,691,631	4,370,591	NAFA Islamic Stock Fund	231,840	64,940
417,331	388,712	Al-Ameen Shariah Stock Fund	63,960	50,000
1,229,420	1,201,932	MFPF-Meezan Asset Allocation Plan II	76,064	49,984
2,602,512	-	MSAF Meezan Strategic Allocation Plan I	131,323	-
2,645,091	-	MSAF Meezan Strategic Allocation Plan II	130,615	-
46,502,735	31,418,031		1,582,086	1,265,047

20.3 The Corporation invests in a portfolio of financial assets (investments in mutual funds) with a view to profiting from their total return in the form of dividends or changes in fair value and evaluates its performance on that basis.

21. CASH AND BANK BALANCES

	Note	2017	2016
		-----------Rupees '000-----------	
With banks in current accounts			
- remunerative	21.1	1,231,312	1,737,017
- non-remunerative		38,103	20,030
		1,269,415	1,757,047
Cash in hand		6,496	30,520
		1,275,911	1,787,567

21.1 These accounts carry mark-up ranging from 3.75% to 6.20% (2016: 4.00% to 6.25%) per annum.

22. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2017	2016		2017	2016
-----------(No. of Shares)-----------			-----------Rupees '000-----------	
529,237	529,237	Ordinary shares of Rs 1,000 each fully paid in cash	529,237	529,237
1,999	1,999	Ordinary shares of Rs 1,000 each issued as fully paid for consideration other than cash	1,999	1,999
468,764	468,764	Ordinary shares of Rs 1,000 each issued as fully paid bonus shares	468,764	468,764
1,000,000	1,000,000		1,000,000	1,000,000

22.1 Through "Shares purchase agreement relating to shares in PSPC" dated June 13, 2017, all the shares were transferred from the President of Pakistan / Ministry of Finance to the State Bank of Pakistan with effect from June 14, 2017.

23. RESERVES

	2017	2016
	-----------Rupees '000-----------	
Capital reserve		
- Surplus on revaluation of investments	(24,609)	20,964
- Asset acquisition reserve	5,500,000	3,800,000
	5,475,391	3,820,964
Revenue reserve		
- General reserve	888,082	5,996,048
- Unappropriated profit	2,018	1,349,596
	890,100	7,345,644
	6,365,491	11,166,608

24. SURPLUS ON REVALUATION OF PROPERTY PLANT AND EQUIPMENT - NET

	2017 Rupees '000
Surplus on revaluation of:	
- Freehold land	51,068,759
- Buildings on freehold land	624,670
	51,693,429
Less: Transferred to unappropriated profit	
surplus relating to incremental depreciation charged during the year - net of deferred tax	(545)
Related deferred tax liability	(233)
	(778)
	51,692,651
Less: related deferred tax liability on:	
Surplus arising on property, plant and equipment during the year	(187,401)
Incremental depreciation charged during the year on assets transferred to profit and loss account	233
Deferred tax liability recognised on surplus	(187,168)
	51,505,483

25. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	2017			2016		
	Minimum lease payments	Financial charges	Present value of minimum lease payments	Minimum lease payments	Financial charges	Present value of minimum lease payments
	Rupees '000					
Not later than one year	5,890	730	5,160	9,141	1,230	7,911
Later than one year and not later than five years	13,347	1,673	11,674	18,890	1,327	17,563
	19,237	2,403	16,834	28,031	2,557	25,474
Less: shown in current maturity			(5,160)			(7,911)
Long term portion			11,674			17,563

25.1 The above represents finance leases entered into to procure the Corporation's vehicles. The financing rate used as discounting factor ranges from 6.34% to 7.99% (2016: 6.34% to 7.99%).The Corporation intends to exercise its option to purchase the leased assets on completion of the respective lease periods. The liabilities against assets subject to finance lease are secured by the lessor's charge over the leased assets. The cost of operating and maintaining the leased assets are borne by the Corporation.

26. DEFERRED LIABILITIES

	Note	2017	2016
		Rupees '000	
Defined benefit plan (staff pension scheme) - funded	26.3	3,146,267	3,622,195

26.1 As stated in note 3.17 the Corporation operates a defined benefit plan i.e. an approved funded pension scheme for all its permanent employees subject to attainment of retirement age and minimum service of the prescribed period. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out as at June 30, 2017. The disclosures made in notes 26.2 to 26.16 are based on the information included in that actuarial report.

26.2 The projected unit credit method using the following significant assumptions was used for this valuation:

	2017	2016
- Discount rate - per annum	9.25% p.a	9.0% p.a
- Expected rate of increase in salaries - annual	9.25% p.a	9.0% p.a
- Expected rate of increase in monthly pension	5.25% p.a	5.0% p.a
- Pre-Retirement Mortality	SLIC 2001-2005	SLIC 2001-2005
- Post-Retirement Mortality	SLIC 2001-2005	SLIC 2001-2005

26.3 Balance sheet reconciliation

	Note	2017	2016
		Rupees '000	
Present value of defined benefit obligation	26.4	4,957,302	6,005,357
Fair value of plan assets	26.5	(1,811,035)	(2,383,162)
Net liability in the balance sheet		3,146,267	3,622,195

		2017	2016
26.4	Present value of defined benefit obligation as at July 1, 2016 / 2015	6,005,357	4,927,211
	Less: Discontinued operations	(1,674,196)	-
	Employees transferred to NSPC	124,014	-
	Current service cost	57,250	133,138
	Interest cost	495,342	506,198
	Benefits paid	(276,492)	(212,555)
	Past service cost	-	246,438
	Remeasurement loss on obligation	226,027	404,927
	Present value as at June 30	4,957,302	6,005,357

26.5 Movement in fair value of plan assets

	Note	2017	2016
Fair value as at July 1, 2016 / 2015		2,383,162	2,383,449
Less: Discontinued operations	26.5.1	(635,706)	-
Employees transferred from NSPC		57,934	-
Expected return on plan assets		192,810	243,542
Corporation's contributions		83,163	84,558
Benefits paid		(276,492)	(212,555)
Remeasurement gain / (loss) on fair value of plan assets		6,164	(115,832)
Fair value as at June 30		1,811,035	2,383,162

26.5.1 These plan assets are still in the name of the Corporation and are being held for and on behalf of NSPC in accordance with the common facilities and cost sharing agreement dated May 19, 2017.

26.6 Movement in net liability in the balance sheet is as follows:

	Note	2017	2016
		Rupees '000	
Opening balance of net liability		3,622,195	2,543,762
Less: Discontinued operations		(1,038,490)	-
Employees transferred from NSPC		66,080	-
Charge for the year	26.8	359,782	642,232
Corporation's contributions		(83,163)	(84,558)
Net remeasurement loss for the year	26.10	219,863	520,759
Closing balance of net liability		3,146,267	3,622,195

26.7 Charge for the year has been allocated as under:

	2017	2016 (Represented Note 2)
Cost of sales:		
- Continuing operations	222,816	366,897
- Discontinued operations	53,346	135,701
	276,162	502,598
Administrative expenses:		
- Continuing operations	67,467	101,933
- Discontinued operations	16,153	37,701
	83,620	139,634
	359,782	642,232

26.8 The following amounts have been recognised in the profit and loss account in respect of the pension plan:

	2017	2016
	Rupees '000	
		(Represented Note 2)
Current service cost:		
Continuing operations	46,191	97,191
Discontinued operations	11,059	35,947
	57,250	133,138
Past service cost:		
Continuing operations	-	179,900
Discontinued operations	-	66,538
	-	246,438
Net interest cost:		
Continuing operations	244,093	191,739
Discontinued operations	58,439	70,917
	302,532	262,656
	359,782	642,232

26.9 Actual return on plan assets

	2017	2016
Expected return on plan assets:		
- Continuing operations	155,564	177,786
- Discontinued operations	37,246	65,756
	192,810	243,542
Remeasurement gain / (loss) on fair value of plan assets:		
- Continuing operations	4,973	(84,557)
- Discontinued operations	1,191	(31,275)
	6,164	(115,832)
Actual return on plan assets	198,974	127,710

26.10 Remeasurement recognised in other comprehensive income

	2017	2016
Remeasurement loss on defined benefit obligation		
Continuing operations	182,365	295,597
Discontinued operations	43,662	109,330
	226,027	404,927
Remeasurement (gain) / loss on fair value of plan assets		
Continuing operations	(4,973)	84,557
Discontinued operations	(1,191)	31,275
	(6,164)	115,832
	219,863	520,759

26.11 Plan assets comprise of the following:

	2017		2016	
	(Rs in '000)	Percentage %	(Rs in '000)	Percentage %
Equity instruments	721,954	30.22	601,734	25.25
Debt instruments	679,101	28.42	1,309,386	54.94
Cash and cash equivalents	988,115	41.36	472,042	19.81
	2,389,170	100.00	2,383,162	100.00
Less: Pertaining to NSPC	578,135			
	1,811,035			

26.12 Expected charge to profit and loss account in respect of post employment benefit plan for the year ending June 30, 2018 is Rs 285.669 million (2016: Rs 382.866 million) and expected contribution to such plan for the year ending June 30, 2018 is Rs 57.363 million.

26.13 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumptions	Increase in assumption	Decrease in assumption
	------------Rupees '000------------		
Discount rate	1%	(512,085)	668,546
Salary growth rate	1%	210,023	(153,891)
Pension indexation rate	1%	20,040	20,736

26.14 The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

26.15 The weighted average duration of the defined benefit obligation is 11.86 years.

26.16 Through its defined benefit plan, the fund is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The fund believes that due to long-term nature of the plan liabilities and the strength of the Corporation's support, the current investment strategy manages this risk adequately.

Inflation risk

The majority of the plan's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities. However, the fund manages plan assets to off set inflationary impacts.

Life expectancy / withdrawal rate

The majority of the plan's obligations are to provide benefits on severance with the Corporation or on achieving retirement. Any change in life expectancy / withdrawal rate would impact plan liabilities.

27. TRADE AND OTHER PAYABLES

	Note	2017	2016
		------Rupees '000------	
Creditors			
- Payable to associates	27.1	636,331	650,119
- Payable to others		23,046	18,956
- Payable to SBP		941	-
Bills payable		4,655	18,492
Accrued liabilities	27.2	494,063	608,750
Advances from customers of NSPC (2016: the Corporation)		273,378	290,281
Advance from SBP	27.3	594,877	9,199
Sales tax payable		38,343	-
Workers' profits participation fund	27.4 & 19	-	22,728
Deposits and retention money		17,955	18,020
Advance rent and security deposits		1,721	1,655
Others		123,225	94,536
		2,208,535	1,732,736

27.1 Payable to associates

	2017	2016
Security Papers Limited	421,290	301,976
SICPA Inks Pakistan (Private) Limited	215,041	348,143
	636,331	650,119

27.1.1 Payable to associates includes Rs 3.173 million payable in respect of procurements made on behalf of NSPC for its production activities.

27.2 This amount includes Rs 8.511 million payable in respect of bonus and leave encashment for employees of NSPC.

27.3 This represents advance from SBP for the production of prize bonds.

	Note	2017	2016
		-------------Rupees '000-------------	
27.4 Workers' profits participation fund			
Liability at the beginning of the year		22,728	9,831
Allocation for the year	27.4.1	141,740	132,728
		164,468	142,559
Payments made during the year		(172,728)	(119,831)
(Receivable) / payable at the end of the year	19	(8,260)	22,728

27.4.1 Allocation for the year includes Rs 48.878 million (2016: Rs 78.851 million) pertaining to the discontinued operations.

28. CONTINGENCIES AND COMMITMENTS

28.1 **Contingencies**

28.1.1 The Corporation is defending certain cases filed by its ex-employees on account of their reinstatement in the Corporation and compensation for loss of their jobs. Management considers that the probability of any significant liability arising from such cases is remote.

28.1.2 In the previous years the tax authorities initiated proceedings for amendment of deemed assessments for tax years 2004 to 2009 by issuing notices under sections 122 (5A) read with 122(9) of the Income Tax Ordinance, 2001. The amended orders were passed and certain demands were raised for which the Corporation subsequently filed rectification application as a result of which the demands were rectified to Rs 34.9 million. The Corporation, having paid the aforesaid net demand of Rs 34.9 million, had filed appeals before the Commissioner of Inland Revenue - Appeals {CIR(A)} which were decided against the Corporation. The Corporation, further filed appeal before the Appellate Tribunal Inland Revenue (ATIR) which vide order dated June 29, 2015 partially upheld the action of the Additional Commissioner Inland Revenue for amending the aforesaid assessments.

Further, the Corporation's miscellaneous application before ATIR on the matter of allocation of expenses has been dismissed. A reference before the High Court of Sindh has been filed by the Corporation, the adjudication of which is pending to date. The management, however, is continuing with its view that the net demand will eventually be revoked and the amount paid be refunded / adjusted in favour of the Corporation.

28.1.3 Outstanding letters of guarantee amounted to Rs 22 million (2016: Rs 22 million).

28.2 **Commitments**

Capital commitments at the year end amounted to Rs 15.368 million (2016: Rs 6.297 million).

Letters of credit for raw material and stores and spares outstanding at the year end amounted to Rs 11.031 million (2016: Rs 82.823 million).

	Note	2017	2016
		---Rupees '000---	(Represented Note 2)
29. COST OF SALES			
Raw material			
Opening stock		925,631	468,556
Purchases including in transit		5,729,701	4,840,371
Closing stock		(1,144,470)	(925,631)
		5,510,862	4,383,296
Salaries, wages and benefits	29.1	1,154,751	1,121,498
Stores and spares		255,820	260,967
Fuel and power		108,829	105,641
Insurance		8,641	8,837
Transportation		1,420	1,236
Rent, rates and taxes		18,909	16,680
Depreciation	6.2	98,771	417,310
Provision for obsolete stores and spares - net		5,458	4,587
Provision for slow moving and obsolete stock-in-trade - net		3,383	-
Repairs and maintenance		55,506	35,385
Amortisation	8.2	109	109
		1,711,597	1,972,250
Manufacturing cost		7,222,459	6,355,546
Opening work-in-process	15	821,126	653,617
Closing work-in-process		(746,330)	(821,126)
		74,796	(167,509)
Cost of goods manufactured		7,297,255	6,188,037
Opening stock of finished goods	15	43,527	74,073
Closing stock of finished goods		(234,216)	(43,527)
		(190,689)	30,546
		7,106,566	6,218,583

29.1 Salaries, wages and benefits include Rs 222.816 million (represented - 2016: Rs 366.897 million) in respect of staff retirement benefits of officers, staff and workers.

30. ADMINISTRATIVE EXPENSES

	Note	2017	2016
		---Rupees '000---	
			(Represented Note 2)
Salaries, wages and benefits	30.1	353,513	335,004
Directors' meeting fee and expenses		5,409	3,254
Fuel and power		16,662	14,057
Insurance		1,695	1,565
Travelling and entertainment		8,090	11,708
Depreciation	6.2	24,637	26,840
Amortisation	8.2	36	154
Security charges		74,418	68,865
Repairs and maintenance		11,605	11,268
Donations		-	5,600
Communication		2,603	2,579
Legal and professional charges		750	1,781
Advertisements		8,132	3,520
Printing and stationery		300	493
Operating lease rentals		113	122
Others		7,196	3,843
		515,159	490,653

30.1 Salaries, wages and benefits include Rs 67.467 million (represented - 2016: Rs 101.933 million) in respect of retirement benefits of officers, staff and workers.

31. OTHER EXPENSES

	Note	2017	2016
		---Rupees '000---	
			(Represented Note 2)
Auditors' remuneration	31.1	17,502	1,337
Exchange loss - net		106	2,632
Workers' profit participation fund	27.4	92,862	53,877
Loss on sale of investments		-	2,359
Others		134	66
		110,604	60,271

31.1 Auditors' remuneration

	2017	2016
Audit fee	770	770
Fee for half yearly review	137	137
Other services	16,400	235
	17,307	1,142
Out of pocket expense	195	195
	17,502	1,337

32. OTHER INCOME

	Note	2017	2016
		-------------Rupees '000-------------	
			(Represented Note 2)
Income from financial assets			
Gain on remeasurement of short term investments	32.1	226,328	97,779
Return on investment in Pakistan Investment Bonds		11,675	36,536
Gain on sale of investments	32.1	22,805	-
Mark-up on bank deposits	32.1	376,041	336,449
Bonus / dividend income		20,130	15,730
Service charges on long term loans	11	1,886	1,354
		658,865	487,848
Income from non financial assets			
- related parties			
Rental income from associate			
- SICPA Inks Pakistan (Private) Limited		8,380	8,380
Service charges recovered from associate			
- Security Papers Limited		340	565
		8,720	8,945
- others			
Rental income - other		8,585	7,804
Scrap sales		5,145	3,645
Reversal of provision for slow moving and obsolete stock-in-trade - net	15.2	-	4,215
Gain on disposal of operating fixed assets		1,361	879
Miscellaneous income		3,822	1,050
		18,913	17,593
		686,498	514,386

32.1 These amounts have been netted off against share of other income aggregating Rs 30.960 million relating to NSPC.

	Note	2017	2016
		-------------Rupees '000-------------	
33. FINANCE COST			
Financial charges on liabilities against assets subject to finance lease		1,143	1,355
Bank charges		772	521
		1,915	1,876
34. SHARE OF PROFIT FROM ASSOCIATES			
Security Papers Limited	9.3	301,836	195,048
SICPA Inks Pakistan (Private) Limited	9.2	260,617	186,739
		562,453	381,787
35. TAXATION			
Current - for the year		787,111	549,660
- prior year		11,997	(7,552)
		799,108	542,108
Deferred		146,853	(7,496)
		945,961	534,612

35.1 Relationship between tax expense and accounting profit

		Note	2017	2016
			-------------Rupees '000-------------	
				(Represented Note 2)
	Profit before taxation form continuing operations		2,990,899	1,911,080
	Profit before taxation form discontinued operations		929,540	1,498,665
	Profit before taxation		3,920,439	3,409,745
	Tax applicable at the rate of 31% (2016: 32%)		1,215,336	1,091,118
	Difference in effective tax rate of equity-accounted investees		(103,719)	(74,446)
	Tax effect of income taxed at lower rates		(27,148)	(34,962)
	Tax credits		(43,262)	(37,421)
	Tax effect of change in tax rate for next year		18,732	36,318
	Tax effects of notional expenses allowed on rental income		(532)	(499)
	Super tax		106,167	113,438
			1,165,574	1,093,546
	Prior year tax effect		11,997	(7,552)
			1,177,571	1,085,994
35.1.1	Tax from continuing operations	35	945,961	534,612
	Tax from discontinued operations	36	231,610	551,382
			1,177,571	1,085,994

36. DISCONTINUED OPERATIONS

36.1 As explained in note 2, during the year the Corporation transferred its Non-Currency business to its subsidiary i.e. NSPC. As a result, assets and liabilities of the Non-Currency business have been classified as assets and liabilities attributable to discontinued operations in these financial statements, a summary of which is as follows:

	Note	March 31 2017 Rupees '000
Assets attributable to discontinued operations		
Property, plant and equipment		332,098
Intangibles		147
Long term loans		19,051
Long term deposits		294
Deferred taxation		327,991
Stores and spares - net		82,545
Stock-in-trade - net		857,679
Loans and advances		2,177
Trade deposits and prepayments		15,260
Trade debts - net	36.3	1,708,503
Cash and bank balances		1,000,000
		4,345,745
Liabilities associated with discontinued operations		
Deferred liabilities		1,038,490
Trade and other payables	36.3	458,323
Liabilities against asset subject to finance lease	36.3	1,134
		1,497,947
Net assets attributable to discontinued operations		2,847,798

36.2 In addition to the aforementioned net assets of Rs 2,847.798 million, the Corporation had committed amounts of Rs 1 million and Rs 3,898.919 million as investment in share capital and working capital arrangement for NSPC which has been settled through cash and the current account, respectively.

36.3 These balances have been settled through current account i.e. payable to NSPC.

	For the period from July 1, 2016 to March 31, 2017	For the year from July 1, 2015 to June 30, 2016
	-------------Rupees '000-------------	
Financial performance of discontinued operations		
Sales	2,426,024	3,984,610
Sales tax	(369,367)	(561,802)
Net sales	2,056,657	3,422,808
Cost of sales	(940,659)	(1,395,507)
Gross profit	1,115,998	2,027,301
Administrative expenses	(142,533)	(447,948)
Other expenses	(48,878)	(81,189)
Other income	4,953	501
	(186,458)	(528,636)
Profit before taxation	929,540	1,498,665
Taxation	(231,610)	(551,382)
Profit after taxation	697,930	947,283
Cash flow relating to discontinued operations		
Net cash generated from operating activities	2,044,957	1,884,706
Net cash used in investing activities	(19,204)	346,534
Net cash used in financing activities	(3,285)	(1,575)

37. EARNINGS PER SHARE

	2017	2016
	-------------Rupees '000-------------	
Profit after taxation from continuing operations	2,044,938	1,376,468
Profit after taxation from discontinued operations	697,930	947,283
	-----------(No. of Shares)-----------	
Weighted average number of ordinary shares outstanding during the year	1,000,000	1,000,000
	----------------Rupees----------------	
Earnings per share - continuing operations	2,045	1,377
Earnings per share - discontinued operations	698	947

There are no dilutive potential ordinary shares outstanding as at June 30, 2017 or 2016.

38. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

38.1 Related parties comprise of parent i.e. State Bank of Pakistan associates [Security Papers Limited and SICPA Inks Pakistan (Private) Limited], entities under common control / directorship, employee benefit plans and key management personnel of the Corporation.

38.2 Significant transactions with related parties other than those specifically included in investment in associates (note 9), other long term investments (note 10), transactions with employee's pension fund (note 26), cost of sales (note 29), administrative expenses (note 30), other income (note 32) are as follows:

	2017	2016
	-------------Rupees '000-------------	
Transactions with parent / common control and directorship - note 38.8		
Sale of bank notes	9,397,810	7,558,827
Sale of prize bonds	78,382	227,463
Charge of staff deputed at the Corporation	941	-

	2017	2016
	------------Rupees '000------------	
Transactions with associated undertakings		
Purchase of paper from Security Papers Limited	2,835,186	2,437,617
Sharing of group pool expenses with Security Papers Limited	30,826	36,236
Purchase of ink from SICPA Inks Pakistan (Private) Limited	2,236,563	1,983,411
Share of group pool expenses with SICPA Inks Pakistan (Private) Limited	2,015	2,062
Transactions with entities under common control / directorship		
Expenses borne on behalf of NSPC	707,772	-
Investment in subsidiary	6,066,879	-
Sale of postal and non-postal-items to Director General Pakistan Post Office	599,744	674,246
Sale of passports to Director General Immigration and Passports	1,368,802	1,524,889
Sale of ballot papers to Election Commission of Pakistan	-	324,577
Sale of census form to Pakistan Bureau of Statistics	199,752	-
Transactions with Government of Pakistan		
Maturity of PIBs	200,000	-
Markup income	11,675	36,536
Key management personnel	Note 38.7	

38.3 All sales transactions with State Bank of Pakistan, Director General Pakistan Post Office and Director General Immigration and Passports are carried out by the Corporation using the "Cost Plus Mark-up Method" approved by the Ministry of Finance. All other transactions with related parties are entered on mutually agreed terms.

38.4 Transactions with employee benefit funds are carried out based on the terms of employment of the employees and according to the actuarial advice (note 26).

38.5 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation. The Corporation considers its Chief Executive / Managing Director and all its directors as its key management personnel. There are 6 directors (2016: 4 directors) of the Corporation including the Managing Director.

38.6 The related party status of outstanding balances as at June 30, 2017 is included in notes 9, 10, 16.1, 19, 26 and 27. These are to be settled in the ordinary course of business.

38.7 Remuneration of the Managing Director and Directors of the Corporation is as follows:

	2017		2016	
	Managing Director	Directors	Managing Director	Directors
	------------Rupees '000------------			
Directors' fee	-	5,409	-	3,254
Managerial remuneration	4,435	-	4,814	-
Bonus	974	-	861	-
Ex-gratia	2,033	-	768	-
Staff retirement benefits	269	-	233	-
Medical expenses	319	-	527	-
Others	1,180	630	1,782	300
	9,210	6,039	8,985	3,554
Number of persons	1	3	1	3

38.8 Upto June 13, 2017, State Bank of Pakistan was a related party of the Corporation because of the common control / directorship.

39. RUNNING FINANCE - unavailed

The Corporation has a short-term running finance facility available from Bank Al-Habib Limited which is secured by way of a registered hypothecation charge against its receivable from SBP (see note 16.7). The facility amounts to Rs 250 million (2016: Rs 250 million) and the rate of mark-up is three months average KIBOR (2016: KIBOR).

40. CASH GENERATED FROM OPERATIONS

	Note	2017	2016
		-------------Rupees '000-------------	
Profit before taxation from continuing and discontinued operations		3,920,439	3,409,745
Adjustments for non cash items and other items:			
Depreciation		185,667	520,835
Gain on disposal of operating fixed assets		(1,361)	(879)
Gain on remeasurement of short term investments		(186,904)	(97,779)
Expense for pension fund		359,782	642,232
Mark-up on bank deposits		(439,082)	(336,449)
Return on investment in Pakistan Investment Bonds		(11,675)	(36,536)
Share of profit from associates		(562,453)	(381,787)
Provision for doubtful debts - net		35,162	248,438
Provision for slow moving and obsolete stock-in-trade and stores and spares - net		3,745	1,440
Amortisation		252	406
Financial charges on leased vehicles		1,143	1,355
Gain / (loss) on sale of investments		(30,148)	2,359
Service charges on long term loans		(2,202)	(1,855)
Bonus / dividend income		(20,130)	(15,730)
Working capital changes	40.1	(231,001)	(830,047)
		3,021,234	3,125,748

40.1 Working capital changes

	2017	2016
(Increase) / decrease in current assets		
Stores and spares	(1,845)	(9,435)
Stock-in-trade	(415,615)	(586,712)
Trade debts	755,145	(300,470)
Loans and advances	(9,451)	(6,526)
Trade deposits and prepayments	(6,108)	(10,858)
Other receivables	(1,720,650)	(7,216)
	(1,398,524)	(921,217)
(Decrease) / increase in current liabilities		
Trade and other payables	475,799	91,567
Payable to NSPC	691,766	-
Accrued mark-up	(42)	(397)
	1,167,523	91,170
	(231,001)	(830,047)

40.2 Cashflow statement has been prepared on an aggregate basis for continuing and discontinued operations for the year ended June 30, 2017.

41. CASH AND CASH EQUIVALENTS

	Note	2017	2016
Loans and receivables - Term deposit receipts with contractual maturity of less than three months	20	-	1,500,000
Cash and bank balances	21	1,275,911	1,787,567
		1,275,911	3,287,567

42. FINANCIAL INSTRUMENTS BY CATEGORY

	2017	2016
	-------------Rupees '000-------------	
FINANCIAL ASSETS		
Loans and receivables at amortised cost		
Long term loans	96,168	61,626
Long-term deposits	12,836	13,176
Trade debts	1,702,777	2,493,084
Loans	10,650	6,485
Trade deposits	-	8,858
Accrued mark-up	90,233	91,708
Other receivables	1,735,776	23,386
Short term investments	6,122,000	4,822,000
Cash and bank balances	1,275,911	1,787,567
	11,046,351	9,307,890
Fair value through profit or loss		
Short term investments	1,582,086	1,265,047
Available-for-sale		
Other long-term investments - Al Hamra Islamic Stock Fund	27,164	21,197
Held-to-maturity		
Other long-term investments - Pakistan Investment Bonds	99,955	298,930
	12,755,556	10,893,064
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Liabilities against assets subject to finance leases	16,834	25,474
Trade and other payables	1,300,216	1,431,601
Payable to NSPC	5,774,651	-
Accrued mark-up	70	112
	7,091,771	1,457,187

43. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

43.1 The Corporation's activities expose it to certain financial risks. Such financial risks emanate from various factors that include, but not limited to credit risk, liquidity risk and market risk. The Corporation's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Corporation's financial performance. Risks measured and managed by the Corporation are explained in notes 43.1.1, 43.1.2 and 43.1.3 below:

43.1.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail to perform as contracted.

Out of the total financial assets of Rs 12,755.556 million (2016: Rs 10,893.064 million), the financial assets that are subject to credit risk amounted to Rs 12,649.105 million (2016: Rs 10,563.614 million).

The analysis below summarises the credit quality of the Corporation's financial assets as at June 30, 2017 / 2016.

The bank balances along with credit ratings are tabulated below:

	2017	2016
	-------------Rupees '000-------------	
Credit ratings		
A-1+	1,269,415	1,757,047

The analysis of credit rating of short term investments is as follows:

	2017	2016
Credit ratings		
AM1+	854,383	-
AM2+	589,439	-
AM2	-	137,194
AM2++	138,264	1,127,853
	1,582,086	1,265,047

Term deposit receipts of the Corporation as at June 30, 2017 are kept with commercial banks having minimum credit rating of A-1.

As at June 30, 2017, trade debts balance is with State Bank of Pakistan, the parent company. Accordingly the credit risk is minimal. Debtors of NSPC classified in other receivables balance are primarily with government units, therefore the risk is minimal.

43.1.2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with financial instruments. The management believes that it is not exposed to any significant level of liquidity risk.

The management forecasts the liquidity of the Corporation on basis of expected cash flow considering the level of liquid assets necessary to meet such risk.

Financial liabilities in accordance with their contractual maturities are presented below:

	Maturity within one year	Maturity after one year	Total
	---------------------Rupees '000---------------------		
	June 30, 2017		
Financial liabilities			
Liabilities against assets subject to finance leases	5,890	13,347	19,237
Trade and other payables	1,300,216	-	1,300,216
Payable to NSPC	5,774,651	-	5,774,651
Accrued mark-up	70	-	70
	7,080,827	13,347	7,094,174
	June 30, 2016		
Financial liabilities			
Liabilities against assets subject to finance leases	9,141	18,890	28,031
Trade and other payables	1,408,873	-	1,408,873
Accrued mark-up	112	-	112
	1,418,126	18,890	1,437,016

43.1.3 Market Risk

Currency Risk

Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Corporation does not have any significant exposure in foreign currency.

Interest rate risk

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. At June 30, 2017, if the market interest rate had changed by 100 bps with all other variables held constant, profit before taxation for the year would have been higher / lower by Rs 74.533 million (2016: Rs 68.579 million). This is mainly due to changes in the interest rates of balances placed on term deposits, Pakistan Investment Bonds (PIBs) and saving accounts with banks where changes in interest rates may have impact on the future profits / cash flows.

Other price risk

Other price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The effects of changes in fair value of such investments in mutual funds made by Corporation, on the future profits will impact the Corporation.

43.1.4 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

As at June 30, 2017, all financial assets and financial liabilities are carried at amortised cost except for investment in mutual funds which are carried at their fair values.

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the balance sheet date. The fair values of all other financial assets and liabilities are not considered to be significantly different from their carrying values as these financial assets and liabilities are short term in nature.

The Corporation classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

There were no transfers between level 1, 2 or 3 of the fair value hierarchy during the year.

The valuation techniques used are as follows:

Level 1: Quoted prices (unadjusted) in active markets

The fair value of financial instruments traded in active markets is based on Net Asset Values (NAVs) of the units of the mutual funds at the reporting date. A market is regarded as active when it is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within level 1 that are observable.

Level 3 fair values for debt securities are determined using a discounted cash flow technique, which uses expected cash flows and a market-related discount rate (PKRV rates for the purpose).

The following table analysis within the fair value hierarchy of the Corporation's financial assets (by class) measured at fair value at June 30, 2017:

Financial assets	**2017**			
	Level 1	**Level 2**	**Level 3**	**Total**
	--------------------------Rupees '000--------------------------			
Short term investments - at fair value through profit and loss	1,582,086	-	-	1,582,086
Investments - Available-for-sale	27,164	-		27,164
	1,609,250	-	-	1,609,250

Financial assets	**2016**			
	Level 1	**Level 2**	**Level 3**	**Total**
	--------------------------Rupees '000--------------------------			
Short term investments - at fair value through profit and loss	1,265,047	-	-	1,265,047
Investments - Available-for-sale	21,197	-		21,197
	1,286,244	-	-	1,286,244

44. CAPITAL RISK MANAGEMENT

The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the Corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debt.

As at June 30, 2017 and 2016, the Corporation had surplus reserves to meet its requirements.

45. PLANT CAPACITY AND ACTUAL PRODUCTION

	2017	**2016**
	-------------Reams-------------	
		(Represented Note 2)
Actual production	105,992	92,223

Due to nature of business of the Corporation, installed capacity is not relevant.

46. PROVIDENT FUND RELATED DISCLOSURES

The fund was constituted under the Provident Fund Rules of the Corporation being a contributory provident fund on August 8, 1963. However, the Ministry of Finance approved the establishment of Employees' Pension Fund with effect from November 1, 1993 as a replacement of the contributory provident fund. The provident fund has subsequently been converted to a non-contributory fund in which contributions are only made by the members at a minimum of 8.33 % of half of their consolidated pay.

During the year ended June 30, 2016, a meeting was held among the trustees of the PSPC Provident Fund on April 1, 2016 in which the majority of the trustees including the chairman of the fund agreed to close the fund with the immediate effect and with the consent of all members. Further during the year, Corporation realised all the investment and distributed among the members of fund with the exception of profit accrued on those investment which has been placed in the bank account.

	2017	2016
	------------Rupees '000------------	
	Unaudited	
Size of the fund - Total assets	137,094	739,153
Cost of investments made	137,094	737,378
Percentage of investments made	100%	100%
Fair value of investments	137,094	739,153

The break-up of fair value of investments is:

	2017		2016	
	Rupees '000	----%----	Rupees '000	----%----
Bank balances	137,094	100%	712,379	96.38%
Mutual funds	-	0%	26,774	3.62%
	137,094	100%	739,153	100%

The investments out of provident fund were made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

47. NUMBER OF EMPLOYEES

The total and average number of employees during the year and as at June 30, 2017 and 2016 respectively are as follows:

	2017	2016
	---------No of employees---------	
Average number of employees during the year	952	1,056
Number of employees as at June 30	778	1,031

48. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors at their meeting held on October 20, 2017 have proposed for the year ended June 30, 2017 cash dividend of Rs Nil per share (2016: Rs 600 per share), amounting to Rs Nil million (2016: Rs 600 million), transfer to asset acquisition reserve and general reserve from unappropriated profits amounting to Rs 2,000 million (2016: Rs 1,700 million) and Rs 743 million (2016: Rs 23.751 million) respectively, subject to the approval of the members at the annual general meeting to be held on October 27, 2017. The financial statements for the year ended June 30, 2017 do not include the effect of this appropriation which will be accounted for subsequent to the year end.

49. GENERAL

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

50. DATE OF AUTHORISATION

These financial statements were authorised for issue on October 20, 2017 by the Board of Directors of the Corporation.

Chief Executive Officer	**Chief Financial Officer**
Chief Executive Officer	**Director**