13 Financial Statements of PSPC

A.F Ferguson & Co.
Chartered Accountants
State Life Building No. 1-C, I.I. Chundrigar Road,
PO Box. 4716, Karachi.

INDEPENDENT AUDITOR’S REPORT

To the members of Pakistan Security Printing Corporation (Private) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Pakistan Security Printing Corporation (Private) Limited (the Corporation), which comprise the statement of financial position as at June 30, 2019, and the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the International Financial Reporting Standards and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Corporation's affairs as at June 30, 2019 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Information Other than the Financial Statements and Auditor’s Report Thereon

Management is responsible for the other information. The other information comprises the information included in the directors' report, but does not include the financial statements and our auditor’s report thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Board of directors are responsible for overseeing the Corporation’s financial reporting process.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation’s internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements
Based on our audit, we further report that in our opinion:

(a) proper books of account have been kept by the Corporation as required by the Companies Act, 2017 (XIX of 2017);

(b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

(c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Corporation's business; and

(d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Khurshid Hasan.

A. F. Ferguson & Co
Chartered Accountants
Karachi
Date: **October 24, 2019**

PAKISTAN SECURITY PRINTING CORPORATION (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	June 30, 2019	June 30, 2018
		Rupees '000	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	4	57,104,611	52,144,366
Investment property	5	-	-
Intangibles	6	4	6
		57,104,615	52,144,372
Long term investments in associates	7	2,487,053	2,345,584
Other long term investments	8	19,092	23,904
Long term loans	9	228,659	82,087
Long term deposits	10	28,066	18,172
Deferred taxation	11	367,566	243,999
		60,235,051	54,858,118
CURRENT ASSETS			
Stores and spares - net	12	622,715	293,041
Stock-in-trade - net	13	2,951,232	2,321,705
Trade debts - net	14	1,292,416	1,357,094
Loans and advances	15	64,849	29,040
Trade deposits and prepayments	16	64,363	9,821
Accrued mark-up		15,706	4,702
Other receivables	17	134,487	45,097
Short term investments	18	3,140,626	7,450,263
Taxation - net		1,048,075	505,899
Cash and bank balances	19	304,285	578,324
		9,638,754	12,594,986
TOTAL ASSETS		69,873,805	67,453,104
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised capital 1,000,000 (June 30, 2018: 1,000,000) ordinary shares of Rs 1,000 each		1,000,000	1,000,000
Issued, subscribed and paid up capital	20	1,000,000	1,000,000
Reserves			
Surplus on revaluation of property, plant and equipment - net	21	54,301,206	51,503,347
Other reserves	21	7,881,188	7,858,598
		62,182,394	59,361,945
TOTAL EQUITY		63,182,394	60,361,945
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance leases	22	20,426	28,145
Deferred liabilities	23	4,311,844	4,098,377
		4,332,270	4,126,522
CURRENT LIABILITIES			
Trade and other payables	24	2,110,691	2,049,141
Payable to NSPC		240,306	905,862
Accrued mark-up		401	248
Current portion of liabilities against assets subject to finance leases	22	7,743	9,386
		2,359,141	2,964,637
		6,691,411	7,091,159
TOTAL EQUITY AND LIABILITIES		69,873,805	67,453,104
CONTINGENCIES AND COMMITMENTS	25		

The annexed notes 1 to 44 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 PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	June 30, 2019	June 30, 2018
		-------------Rupees '000-------------	
Net sales		13,947,169	12,214,281
Cost of sales	26	(11,419,149)	(9,362,218)
GROSS PROFIT		2,528,020	2,852,063
Administrative expenses	27	(797,988)	(591,418)
Other expenses	28	(533,977)	(218,442)
Other income	29	464,351	376,982
		(867,614)	(432,878)
Operating profit		1,660,406	2,419,185
Finance cost	30	(4,057)	(3,273)
Share of profit from associates	31	702,297	691,417
PROFIT BEFORE TAXATION		2,358,646	3,107,329
Taxation	32	(529,222)	(1,048,115)
PROFIT AFTER TAXATION		1,829,424	2,059,214
		-----------------Rupees----------------	
EARNINGS PER SHARE	33	1,829	2,059

The annexed notes 1 to 44 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019	June 30, 2018
	--------------Rupees '000--------------	
Profit for the year	1,829,424	2,059,214
Other comprehensive income / (loss) for the year:		
Items that may be reclassified subsequently to profit or loss		
Share of other comprehensive loss of associates	-	(64,227)
Impact of deferred tax	-	9,634
	-	(54,593)
Unrealised depreciation during the year on available-for-sale investments of the Corporation	-	(3,260)
Total items that may be reclassified subsequently to profit or loss	-	(57,853)
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of post retirement benefits obligation of associates (notes 7.1 and 7.2)	(3,590)	1,990
Remeasurement of post retirement benefits obligation of the Corporation	274,495	(683,174)
Impact of deferred tax	(79,604)	170,794
	194,891	(512,380)
Gain on revaluation of property, plant and equipment	2,614,218	-
Impact of deferred tax on reversal of revaluation	185,506	-
	2,799,724	-
Total items that will not be reclassified subsequently to profit or loss	2,991,025	(510,390)
Total other comprehensive income / (loss) for the year	2,991,025	(568,243)
Total comprehensive income for the year	4,820,449	1,490,971

The annexed notes 1 to 44 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 CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	June 30, 2019	June 30, 2018
		--------------Rupees '000	-------------
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (utilised in) from operations	36	445,617	(673,782)
Taxes paid		(1,089,063)	(1,025,898)
Pension paid		(75,658)	(76,844)
Long term loans		(141,271)	17,094
Long term deposits - net		(9,894)	(5,336)
Net cash utilised in operating activities		(870,269)	(1,764,766)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(2,445,028)	(33,197)
Proceeds from sale of long term investments		-	99,955
Purchase of short term investments		(5,817,859)	(22,014)
Proceeds from sale of property, plant and equipment		-	3,026
Proceeds from sale of short term investments		5,294,822	6,278,834
Mark-up received		391,578	432,658
Dividends received		584,342	418,186
Net cash (utilised in) / generated from investing activities		(1,992,145)	7,177,448
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease rentals paid		(12,066)	(10,269)
Dividend paid		(2,000,000)	-
Net cash utilised in financing activities		(2,012,066)	(10,269)
Net (decrease) / increase in cash and cash equivalents during the year		(4,874,480)	5,402,413
Cash and cash equivalents at the beginning of the year		6,678,324	1,275,911
Cash and cash equivalents at the end of the year	37	1,803,844	6,678,324

The annexed notes 1 to 44 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, 2019

	Issued, subscribed and paid-up capital	Capital reserves				Revenue reserves			Total reserves	Grand total
		Surplus on revaluation of investments	Asset acquisition reserve	Surplus on revaluation of property, plant and equipment - net	Sub-total capital reserves	General reserve	Accumulated (loss)/ profit	Sub-total revenue reserves		
	---Rupees '000---									
Balance as at July 1, 2017	1,000,000	(24,609)	5,500,000	51,505,483	56,980,874	888,082	2,018	890,100	57,870,974	58,870,974
Transfer to general reserve	-	-	-	-	-	742,868	(742,868)	-	-	-
Transfer to asset acquisition reserve	-	-	2,000,000	-	2,000,000	-	(2,000,000)	(2,000,000)	-	-
Surplus on revaluation of property, plant and equipment - incremental depreciation for the year - net of deferred tax	-	-	-	(2,136)	(2,136)	-	2,136	2,136	-	-
Total comprehensive income for the year ended June 30, 2018										
Profit for the year	-	-	-	-	-	-	2,059,214	2,059,214	2,059,214	2,059,214
Other comprehensive loss	-	(57,853)	-	-	(57,853)	-	(510,390)	(510,390)	(568,243)	(568,243)
	-	(57,853)	-	-	(57,853)	-	1,548,824	1,548,824	1,490,971	1,490,971
Balance as at June 30, 2018	1,000,000	(82,462)	7,500,000	51,503,347	58,920,885	1,630,950	(1,189,890)	441,060	59,361,945	60,361,945
Restatement due to change in accounting policy on application of IFRS 9 (note 2.2)	-	82,462	-	-	82,462	-	(82,462)	(82,462)	-	-
	1,000,000	-	7,500,000	51,503,347	59,003,347	1,630,950	(1,272,352)	358,598	59,361,945	60,361,945
Transactions with owners										
Cash dividend for the year ended June 30, 2018 at 200% (i.e. Rs 2,000 per share)	-	-	-	-	-	-	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Transfer to general reserve	-	-	-	-	-	59,214	(59,214)	-	-	-
Surplus on revaluation of property, plant and equipment - incremental depreciation for the year - net of deferred tax	-	-	-	(1,865)	(1,865)	-	1,865	1,865	-	-
Total comprehensive income for the year ended June 30, 2019										
Profit for the year	-	-	-	-	-	-	1,829,424	1,829,424	1,829,424	1,829,424
Other comprehensive income	-	-	-	2,799,724	2,799,724	-	191,301	191,301	2,991,025	2,991,025
	-	-	-	2,799,724	2,799,724	-	2,020,725	2,020,725	4,820,449	4,820,449
Balance as at June 30, 2019	1,000,000	-	7,500,000	54,301,206	61,801,206	1,690,164	(1,308,976)	381,188	62,182,394	63,182,394

The annexed notes 1 to 44 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, 2019

1. THE CORPORATION AND ITS OPERATIONS

1.1 Pakistan Security Printing Corporation (Private) Limited (the Corporation) was incorporated in Pakistan under the Companies Act, 1913 (now the Companies Act, 2017) and is wholly owned by the State Bank of Pakistan (SBP). The registered office and the factory of the Corporation are located at Jinnah Avenue, Malir Halt, Karachi, in the province of Sindh. The Corporation is principally engaged in the printing of bank notes and prize bonds on behalf of the SBP.

2. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

2.1 Basis of preparation

2.1.1 Basis of measurement

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

2.1.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the functional and presentation currency of the Corporation.

2.1.3 Section 225 of the Companies Act, 2017 inter alia states that notwithstanding anything in the Companies Act, 2017 any company that intends to make unreserved compliance of the International Financial Reporting Standards (IFRSs) issued by the IASB shall be permitted to do so. Accordingly, the Corporation had opted to make unreserved compliance of the IFRSs.

2.1.4 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). In addition the disclosure requirements of the fifth schedule to the Companies Act, 2017 have also been complied with. Where disclosure requirements of the fifth schedule to the Companies Act, 2017 differ from the IFRSs issued by IASB, the requirements of the IFRSs issued by IASB have been followed.

2.2 Change in accounting standards, interpretations and amendments to applicable financial reporting framework

a) New standards, amendments and interpretation to applicable financial reporting framework which are effective during the year:

There are certain new standards, amendments to the standards and interpretations that became mandatory for the Corporation during the year ended June 30, 2019. The amendments and interpretations did not have any significant impact on the financial reporting of the Corporation and, therefore, have not been detailed in these financial statements.

In addition to the above, the following two new standards have become applicable to the Corporation effective July 1, 2018:

- IFRS 9 'Financial instruments' – This standard replaced the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It also included an Expected Credit Loss (ECL) model that replaced IAS 39 incurred loss impairment model. On July 1, 2018 (the date of initial application of IFRS 9), the Corporation's management has assessed which business models apply to the financial assets held by the Corporation and has classified its financial instruments into the appropriate IFRS 9 categories. In accordance with the transititional provisions of IFRS 9, comparative figures and their related gains and losses have been reclassified in the opening statement of financial position as at July 1, 2018 using the modified restatement approach. Further, the financial assets previously classified as 'loans and receivables' and 'held to maturity' have now been classified as 'amortised cost'. As per the requirements of IFRS 9, the Corporation is also required to determine ECL impact on financial assets which are exposed to credit risk. However, majority of the financial assets of the Corporation pertain to counter parties which have high credit rating and no significant delays in realisation of financial assets has been experienced so far. Therefore, the management believes that the impact of ECL would be very minimal and hence the same has not been accounted for in these financial statements . The effects of adoption of IFRS 9 are set out as follows:

	As at June 30, 2018	Effects of adoption of IFRS 9	As at July 1, 2018
	------------------	Rupees in '000	------------------
Impacts on:			
Assets			
Investments - 'available for sale'	23,904	(23,904)	-
Investments - 'at fair value through profit or loss'	1,328,263	23,904	1,352,167
Statement of changes in equity			
Unrealized depreciation on available for sale' investments	(82,462)	82,462	-
Accumulated loss	(1,189,890)	(82,462)	(1,272,352)

- IFRS 15 'Revenue from contracts with customers' – This standard introduces a single five-step model for revenue recognition with a comprehensive framework based on core principle that an entity should recognise revenue representing the transfer of promised goods or services under separate performance obligations under the contract to customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

The changes laid down by IFRS 15 did not have any significant impact on these financial statements. However, related changes to the accounting policies have been made in these financial statements.

b) New standards and amendments to applicable financial reporting framework that are not yet effective

- IFRS 16 'Leases' will be effective for the Corporation's annual accounting period beginning July 1, 2019. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases has been removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. At present, the Corporation is in the process of determining the impacts of application of IFRS 16 on future financial statements of the Corporation.

- Additionally there is another new standard (i.e. IFRS 17 'Insurance Contracts'), certain amendments and an interpretation to the approved accounting and reporting standards that will be mandatory for the Corporation's annual accounting periods beginning on or after July 1, 2019. However, these will not have any significant impact on the financial reporting of the Corporation and, therefore, have not been disclosed in these financial statements.

2.3 Property, plant and equipment

2.3.1 Owned

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment, if any, except for land and buildings which are carried at revalued amounts less any accumulated depreciation and subsequent accumulated impairment, if any. Increase in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in the equity. To the extent that the increase reverses a decrease previously recognised in the profit or loss, the increase is first recognised in the profit or loss. Decrease that reverses previous increase of the same asset is first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset while all other decreases are charged to the profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the 'revaluation surplus on property, plant and equipment' (PPE) to 'accumulated profit / (loss)'. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the assets. Upon disposal, any revaluation reserve relating to the particular assets being sold is transferred to accumulated profit / (loss).

Depreciation is charged to profit or loss 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 4.1.1 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 reporting 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 profit or loss as and when incurred. Gains and losses on disposals of the assets are included in profit or loss in the year in which disposal is

2.3.2 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.

2.3.3 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.

2.4 Investment properties

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 sale proceeds and the carrying amount of the assets at the commencement of the accounting period plus capital expenditure in the period.

2.5 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 Corporation 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 profit or loss on a straight line basis over the estimated useful life at the rates specified in note 6.1 to these financial statements unless such lives are indefinite. All intangible assets with indefinite useful lives are systematically tested for impairment at each reporting 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 assets are reviewed, at each reporting date and adjusted if the impact of amortisation is significant.

2.6 Impairment of property, plant and equipment and intangible assets

The Corporation assesses at each reporting 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 profit or loss.

2.7 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 reporting date. Local purchases of engineering stores are charged to profit or loss 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.

2.8 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 reporting 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.

2.9 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. Effective July 1, 2018, due to adoption of IFRS 9, impairment is recognised using Expected Credit Loss method. Upto June 30, 2018, provision for doubtful trade debts and other receivables was established when there was objective evidence that the Corporation would 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

2.10 Taxation

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

Current tax

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 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 reporting 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 tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profits 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 reporting date.

2.11 **Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of the statement of cash flows, 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.

2.12 **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.

2.13 **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.

2.14 **Trade and other payables**

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

2.15 **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.

2.16 **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 ended June 30, 2017, as a result of business reorganisation, employees relating to National Security Printing Company (Private) Limited (NSPC) were transferred to NSPC and as per the business transfer agreement dated May 19, 2017, the costs 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.

2.17 **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 or loss currently. As the component of the liability involved is not material, the Corporation does not carry out actuarial valuation for the said liability.

2.18 **Revenue recognition**

(a) Revenue from sale of goods is recognised when or as performance obligations are satisfied by transferring control (i.e. at the time of transfer of physical possession) of promised goods, and control either transfers over time or at a point in time. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates and government levies.

(b) Rental income from property is accrued on time proportion basis at agreed rates.

(c) Interest income on investments at amortized cost are recognised using effective interest rate method.

(d) Return on bank deposits is recognised on accrual basis taking into account the effective yield.

(e) Dividend income is recognised when the Corporation's right to receive the dividend is established.

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

(g) Scrap sales and miscellaneous income are recognised on receipt basis.

(h) Unrealised gains and losses arising on revaluation of securities designated at fair value through profit or loss are included in profit or loss in the period in which they arise.

(i) Unrealised gains and losses arising on revaluation of securities classified as fair value through other comprehensive income are included in other comprehensive income in the period in which they arise.

2.19 Foreign currency transactions

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 reporting date. Non-monetary items that are measured in terms of historical cost in 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 profit or loss.

2.20 Dividend and other appropriations

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

2.21 Financial instruments

2.21.1 Financial assets

Effective July 1, 2018, the Corporation classifies its financial assets at amortised cost, fair value through other comprehensive income and fair value through profit or loss on the basis of the Corporation's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

(i) Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flow represents solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.

(ii) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(iii) Financial assets at fair value through profit or loss

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income or assets that are designated at fair value through profit or loss using fair value option, are measured at fair value through profit or loss. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.

Equity instrument financial assets are measured at fair value and subsequent to initial recognition, changes in fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss when the Corporation's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets are derecognized when the Corporation loses control of the contractual rights that comprise the financial asset. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Corporation.

2.21.2 Financial liabilities

Financial liabilities are recognised at the time when the Corporation becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are recognised in profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently 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 or 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 profit or loss.

2.21.3 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.

2.21.4 Impairment

(a) Financial assets

The Corporation assesses on a forward looking basis the expected credit losses associated with its financial assets. The Corporation applies the simplified approach to recognise lifetime expected credit losses for trade debts, and other contract assets.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

The Corporation recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

(b) Non-financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognized as an expense in the profit or loss. The recoverable amount is the higher of an asset's fair value less cost of disposal and value-in-use. Value-in-use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

2.22 **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.

2.23 **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 or loss of associates is accounted for in the Corporation's profit or loss. 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 profit or loss.

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 statements of associates but not older than three months.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with the applicable financial reporting framework 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 these financial statements:

a) Assumptions and estimates used in determining the recoverable amount, residual values and useful lives of property, plant and equipment (note 4);

b) assumptions and estimates used in determining the fair value of land and buildings (note 4);

c) assumptions and estimates used in determining the useful lives and residual values of intangibles (note 6);

d) assumptions and estimates used in the recognition of current and deferred tax (notes 11 and 32);

e) assumptions and estimates used in determining the provision for slow moving stores and spares (note 12);

f) assumptions and estimates used in writing down items of stock-in-trade to their net realisable value (note 13);

g) assumptions and estimates used in calculating the provision for impairment for trade debts (note 14);

h) assumptions and estimates used in measurement of fair value of investments (notes 8 and 18);

i) assumptions and estimates used in accounting for defined benefit plan (note 23); and

j) assumptions and estimates used in disclosure and assessment of provision for contingencies (note 25).

		Note	June 30, 2019	June 30, 2018
4.	**PROPERTY, PLANT AND EQUIPMENT**		----------------Rupees '000----------------	
	Operating fixed assets	4.1	55,513,594	52,133,906
	Capital work in progress	4.3	1,591,017	10,460
			57,104,611	52,144,366

4.1 Operating fixed assets

4.1.1 The following is a statement of operating fixed assets:

	Owned							Leased	Total
	Freehold land and building thereon	Plant and machinery	Power and other installation	Furniture and fixtures	Office equipment and machinery	Vehicles	Sub total	Vehicles	
	-----------------Rupees '000-----------------								
As at July 1, 2017									
Cost	51,807,132	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	51,803,820	247,823	63,335	9,311	35,419	183	52,159,891	14,882	52,174,773
Year ended June 30, 2018									
Additions	4,139	1,530	1,625	1,232	12,358	6,341	27,225	30,317	57,542
Transfers from capital work in progress during the year (note 4.3.1)	4,374	-	-	-	-	-	4,374	-	4,374
Transfers									
Cost	-	-	-	-	-	10,654	10,654	(10,654)	-
Accumulated depreciation	-	-	-	-	-	(10,283)	(10,283)	10,283	-
Net book value	-	-	-	-	-	371	371	(371)	-
Disposals									
Cost	-	-	-	-	-	(11,481)	(11,481)	(5,251)	(16,732)
Accumulated depreciation	-	-	-	-	-	11,110	11,110	4,055	15,165
Net book value	-	-	-	-	-	(371)	(371)	(1,196)	(1,567)
Depreciation charge for the year	(13,029)	(42,271)	(22,561)	(2,690)	(10,820)	(900)	(92,271)	(8,945)	(101,216)
Net book value as at June 30, 2018	51,799,304	207,082	42,399	7,853	36,957	5,624	52,099,219	34,687	52,133,906
Year ended June 30, 2019									
Additions	91	4,273	-	7,600	5,950	6,059	23,973	-	23,973
Transfers from capital work in progress during the year (note 4.3.1)	-	840,498	-	-	-	-	840,498	-	840,498
Depreciation charge for the year	(12,132)	(38,422)	(21,841)	(3,146)	(11,713)	(2,557)	(89,811)	(9,190)	(99,001)
Revaluation adjustment (note 4.1.2)									
Cost	2,585,745	-	-	-	-	-	2,585,745	-	2,585,745
Accumulated depreciation	28,473	-	-	-	-	-	28,473	-	28,473
	2,614,218	-	-	-	-	-	2,614,218	-	2,614,218
Net book value as at June 30, 2019	54,401,481	1,013,431	20,558	12,307	31,194	9,126	55,488,097	25,497	55,513,594
As at June 30, 2018									
Cost	51,815,645	6,399,555	281,801	45,276	206,009	23,029	58,771,315	56,769	58,828,084
Accumulated depreciation	(16,341)	(6,192,473)	(239,402)	(37,423)	(169,052)	(17,405)	(6,672,096)	(22,082)	(6,694,178)
Net book value	51,799,304	207,082	42,399	7,853	36,957	5,624	52,099,219	34,687	52,133,906
As at June 30, 2019									
Cost	54,401,481	7,244,326	281,801	52,876	211,959	29,088	62,221,531	56,769	62,278,300
Accumulated depreciation	-	(6,230,895)	(261,243)	(40,569)	(180,765)	(19,962)	(6,733,434)	(31,272)	(6,764,706)
Net book value	54,401,481	1,013,431	20,558	12,307	31,194	9,126	55,488,097	25,497	55,513,594
Annual rates of depreciation	**0% - 5%**	**6.67%-10%**	**10% - 20%**	**10% - 20%**	**10% - 33%**	**20%**		**20%**	

4.1.2 A revaluation exercise to determine the fair value of the land was conducted as at June 30, 2019 by engaging an external expert. 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 that 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 cannot be determined with certainity, accordingly, a qualitative disclosure of sensitivity has not been presented in these financial statements.

For better presentation and in view of the valuation methodology of 'highest and best use' being followed for the Corporation's land, freehold land and building thereon have been shown as a single class of operating fixed assets.

4.1.3 Had there been no revaluation, the written down value of specific classes of operating fixed assets based on cost model would have been as follows:

		Note	June 30, 2019	June 30, 2018
			-----------Rupees '000-----------	
	Freehold land		3,241	3,241
	Building on freehold land		97,034	106,464
			100,275	109,705
4.2	Depreciation charge for the year has been allocated as follows:			
	Cost of sales	26	64,857	72,378
	Administrative expenses	27	31,761	28,838
	Charged to NSPC		2,383	-
			99,001	101,216
4.3	Capital work in progress			
	Civil works		38,448	-
	Plant and machinery		1,552,569	10,460
			1,591,017	10,460
4.3.1	The movement in capital work in progress is as follows:			
	Balance as at beginning of the year		10,460	8,862
	Additions during the year			
	- Plant and machinery		2,382,607	5,972
	- Civil works		38,448	-
			2,421,055	5,972
	Transfers to operating fixed assets			
	- Plant and machinery	4.1.1	(840,498)	-
	- Building on freehold land		-	(4,374)
			(840,498)	(4,374)
	Balance at end of the year		1,591,017	10,460

4.4 Forced sales value of freehold land is Rs 44,986.584 million.

	June 30, 2019	June 30, 2018
	-----------Rupees '000-----------	
5. INVESTMENT PROPERTY		
Cost	2,732	2,732
Accumulated depreciation	(2,732)	(2,732)
Balance as at June 30	-	-

5.1 As a result of revaluation exercise by an independent valuer, the fair value of the investment property was assessed to be Rs 32.315 million as at March 31, 2017 and which in view of the management has not changed significantly as at June 30, 2019.

	Note	June 30, 2019	June 30, 2018
6. INTANGIBLES		-----------Rupees '000-----------	
Computer software			
As at July 1			
Cost		20,533	20,533
Accumulated amortisation		(20,527)	(20,437)
Net book value		6	96
Year ended June 30			
Amortisation for the year	6.1 & 6.2	(2)	(90)
Net book value as at June 30		4	6
As at June 30			
Cost		20,533	20,533
Accumulated amortisation		(20,529)	(20,527)
Net book value		4	6

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

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

	Note	June 30, 2019	June 30, 2018
		-----------Rupees '000-----------	
Cost of sales	26	-	88
Administrative expenses	27	2	2
		2	90

7. LONG TERM INVESTMENTS IN ASSOCIATES

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

	Note	June 30, 2019	June 30, 2018
Security Papers Limited	7.1	1,790,164	1,741,299
SICPA Inks Pakistan (Private) Limited	7.2	696,889	604,285
		2,487,053	2,345,584

	Note	June 30, 2019	June 30, 2018
		-----------Rupees '000-----------	
7.1 Security Papers Limited (SPL)			
Ownership interest		40.03%	40.03%
Cost		5,032	5,032
Share of post acquisition after tax profits	7.1.1	3,243,524	2,978,687
Effect of first time application of IFRS 9 on after tax profits		(100,561)	-
Share in after tax other comprehensive income	7.1.2	(130,274)	(127,798)
Effect of restatement on other comprehensive income		7,970	7,970
Effect of first time application of IFRS 9 on other comprehensive income	2.2	100,561	-
Dividend received		(1,336,088)	(1,122,592)
		1,790,164	1,741,299

7.1.1 The movement in share of post acquisition after tax profit for SPL is as follows:

	Note	June 30,	June 30,
		------------Rupees '000------------	
Opening balance		2,978,687	2,608,621
Share of after tax profit from associate for the year ended June 30	7.1.2	309,045	295,587
Unrealised (gain) / loss on transactions	7.1.3	(44,208)	74,479
		264,837	370,066
Closing balance		3,243,524	2,978,687

7.1.2 These amounts are based on audited annual financial statements of SPL as at and for the year ended June 30, 2019.

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

	Note	June 30,	June 30,
		------------Rupees '000------------	
7.2 **SICPA Inks Pakistan (Private) Limited (SICPA)**			
Ownership interest		47.00%	47.00%
Cost		26,790	26,790
Share of post acquisition after tax profits	7.2.1	2,181,756	1,744,296
Effect of restatement on after tax profits		375	375
Effect of first time application of IFRS 9 on after tax profits		3,554	-
Share in after tax other comprehensive income	7.2.2	(2,261)	(1,147)
other comprehensive income		(3,554)	-
Dividend received	7.2.3	(1,509,243)	(1,165,501)
		696,889	604,285

7.2.1 The movement in share of post acquisition after tax profit for SICPA is as follows:

	Note	June 30, 2019	June 30, 2018
		------------Rupees '000------------	
Opening balance		1,744,296	1,422,945
Share of after tax profit from associate			
Closing balance		2,181,756	1,744,296

7.2.2 These amounts are based on annual audited financial statements of SICPA as at and for the year ended December 31, 2018 which have been adjusted using the unaudited interim financial information for the three months periods ended March 31, 2018 and March 31, 2019.

7.2.3 During the year ended June 30, 2019, the Corporation received dividend from SICPA subsequent to March 31, 2019 (being the date of the associate's financial information used for recording share of profit from associate) amounting to Rs 56.473 million (2018: Rs 43.534 million) which has been adjusted in the carrying value of investment in associate as at June 30, 2019.

7.3 Summarised financial statements / financial information of the associates are as follows:

	SPL (audited) June 30,		SICPA (unaudited) March 31,	
	2019	2018	2019	2018
	Rupees '000			
Assets	6,084,434	5,891,505	2,539,949	2,152,650
Liabilities	1,146,338	1,185,954	937,043	774,307
Revenue	4,001,591	3,466,918	5,345,618	3,469,552
Profit after tax	772,034	738,412	930,505	683,726
Other comprehensive	(6,185)	(159,270)	(2,106)	3,231

7.4 The market value of SPL as at June 30, 2019 is Rs 92.79 per share (2018: Rs 121.02 per share) i.e. an aggregate amount of Rs 2,201.140 million (2018: Rs 2,870.805 million). The breakup value based on net assets of SICPA as per latest unaudited financial information as on March 31, 2019 is Rs 281.21 per share (March 31, 2018: Rs 241.81 per share) i.e. an aggregate amount of Rs 753.362 million (March 31, 2018: Rs 647.821 million).

8. OTHER LONG TERM INVESTMENTS

Designated at fair value through profit or loss:

June 30,	June 30,	Name of investee	June 30,	June 30,
Number of units			Rupees '000	
2,217,429	2,217,429	Al Hamra Islamic Stock Fund	19,092	23,904

This represents investment with Al Hamra Islamic Stock Fund having cost of Rs 10 million (2018: Rs 10 million).

			June 30, 2019	June 30, 2018
9.	**LONG TERM LOANS**		**-----------Rupees '000-----------**	
	Long term loans to employees		254,729	92,626
	Less: Current maturity	15	(26,070)	(10,539)
			228,659	82,087

9.1 The amount represents a housing loan scheme for all of the Corporation's 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.

9.2 The fair value adjustment in accordance with the requirements of IFRS 9 arising in respect of these loans is not considered material in the overall context of these financial statements and hence not recognised.

		Note	June 30, 2019	June 30, 2018
10.	**LONG TERM DEPOSITS**		**-----------Rupees '000-----------**	
	Considered good			
	Security deposits	10.1	21,202	11,041
	Lease deposits		5,491	5,758
	Others		1,373	1,373
			28,066	18,172

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.

		June 30, 2019	June 30, 2018
11.	**DEFERRED TAXATION**	**-----------Rupees '000-----------**	
	Deductible temporary differences		
	Property, plant and equipment	-	12,823
	Stores and spares	10,710	7,911
	Stock-in-trade	14,856	12,969
	Trade debts	150	39
	Loans and advances	1,611	1,389
	Short term investments	36,311	1,476
	Other receivables	8,552	7,372
	Liabilities under finance lease	8,169	9,383
	Deferred liabilities - pension payable	724,173	692,911
		804,532	746,273
	Taxable temporary differences		
	Property, plant and equipment	(68,681)	-
	Long term investment in associates	(368,285)	(347,064)
	Other long term investment		
	Long term loan		
	Accrued markup - asset		
	Short term investments	-	-
	Accrued markup - liability	-	-
	Surplus on revaluation of property, plant and equipment - net	-	(155,210)
		(436,966)	(502,274)
	Deferred taxation asset	367,566	243,999

11.1 The movement in temporary differences is as follows:

	Balance as at July 1, 2018	Recognised in profit or loss	Recognised in Other Comprehensive Income	Balance as at June 30, 2019
	-----Rupees '000-----			
Property, plant and equipment	12,823	(81,504)	-	(68,681)
Stores and spares	7,911	2,799		10,710
Stock-in-trade	12,969	1,887	-	14,856
Trade debts	39	111	-	150
Loans and advances	1,389	222	-	1,611
Short term investments	1,476	34,835	-	36,311
Other receivables	7,372	1,180	-	8,552
Liabilties under finance lease	9,383	(1,214)	-	8,169
Deferred liabilities - pension payable	692,911	110,866	(79,604)	724,173
Surplus on revaluation of property, plant and equipment	(155,210)	(30,296)	185,506	-
Long term investment in associates	(347,064)	(21,221)	-	(368,285)
	243,999	17,665	105,902	367,566

12. STORES AND SPARES

	Note	June 30,	June 30,
		-----Rupees '000-----	
Engineering spares			
- in hand		369,903	188,752
- in transit		82,374	28,494
General stores			
- in hand		158,342	83,608
- in transit		49,026	23,831
		207,368	107,439
		659,645	324,685
Provision for slow moving stores and spares	12.1	(36,930)	(31,644)
		622,715	293,041

12.1 Provision for slow moving stores and spares

	June 30,	June 30,
Opening balance	31,644	27,251
Provision made during the year	9,339	7,491
Provision no longer required written back	(4,053)	(3,419)
Provision written off		
Provision transferred from NSPC	-	321
	5,286	4,393
Closing balance	36,930	31,644

		Note	June 30,	June 30,
13.	**STOCK-IN-TRADE**		-----------Rupees '000-----------	
	Raw materials			
	- in hand		653,088	1,009,187
	- in transit		6,922	15,893
		26	660,010	1,025,080
	Work-in-process	26	2,328,955	1,344,144
	Finished goods	26	13,494	4,359
			3,002,459	2,373,583
	Provision for slow moving and obsolete stock-in-trade	13.1	(51,227)	(51,878)
			2,951,232	2,321,705
13.1	Provision for slow moving and obsolete stock-in-trade			
	Opening balance		51,878	51,069
	Provision made during the year	26	-	809
	Provision no longer required written back	29	(651)	-
			(651)	809
	Closing balance		51,227	51,878
14.	**TRADE DEBTS**			
	Unsecured			
	Considered good			
	- Due from related party - SBP		1,292,416	1,357,094
	- Due from others	14.2		
			1,292,416	1,357,094
	- Due from others		-	-
			1,292,416	1,357,094
	Considered doubtful			
	- Due from related party - SBP		517	157
	- Due from others			
			517	157
	- Due from others		-	-
			517	157
			1,292,933	1,357,251
	Less: Provision for doubtful debts	14.1	(517)	(157)
		14.2	1,292,416	1,357,094
14.1	Provision for doubtful debts			
	Opening balance		157	-
	Provision made during the year		1,292	157
	Provision no longer required written back		(932)	-
		27	360	157
	Closing balance		517	157

14.2 Ageing analysis of the amounts due from the related party is as follows:

	Note	June 30, 2019	June 30, 2018
		------------Rupees '000------------	
State Bank of Pakistan			
- Upto 1 month	14.2.1	1,287,673	1,354,769
- 1 to 6 months		-	2,325
- More than 6 months		4,743	-
		1,292,416	1,357,094

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

14.3 As at June 30, 2019, trade debts outstanding for more than one year amounted to Rs 0.517 million (2018: Rs 0.157 million) were impaired.

14.4 Receivable from SBP is pledged as security against running finance facility obtained by the Corporation from Bank Al-Habib Limited (note 35). The related 'No Objection Certificate' has been obtained from SBP vide SBP's letter number CMD/211/2-2011 dated March 2, 2011.

14.5 The maximum amount of receivable due from related party - SBP at the end of any month during the year was Rs 1,491.183 million (2018: Rs 2,581.250 million).

15. LOANS AND ADVANCES

	June 30, 2019	June 30, 2018
	------------Rupees '000------------	
Loans - *Considered good*		
Employees	26,070	10,539
Advances - *Considered good*		
Suppliers	23,950	17,797
Employees	14,829	704
	38,779	18,501
Advances - *Considered doubtful*		
Suppliers	5,556	5,556
Less: Provision for doubtful balances	(5,556)	(5,556)
	-	-
	64,849	29,040

16. TRADE DEPOSITS AND PREPAYMENTS

Deposits with excise and custom authorities	1,044	1,044
Margin against letter of credit	41,208	-
Deposits with Pakistan National Shipping Corporation (PNSC)	3,150	-
	45,402	1,044
Short-term prepayments	18,961	8,777
	64,363	9,821

		Note	June 30, 2019	June 30, 2018
			------------Rupees '000------------	
17.	**OTHER RECEIVABLES**			
	Considered good			
	Advance sales tax		107,707	9,444
	Workers' Profits Participation Fund	17.1	24,394	3,102
	Insurance claim		264	182
	Others		2,122	32,369
			134,487	45,097
	Considered doubtful			
	Sales tax recoverable			
	- On sale of assets to SICPA		26,529	26,529
	- Others		2,959	2,959
			29,488	29,488
			163,975	74,585
	Less: Provision for doubtful balances		(29,488)	(29,488)
			134,487	45,097
17.1	Workers' Profits Participation Fund			
	Asset at the beginning of the year		3,102	8,260
	Allocation for the year	28	(75,606)	(116,898)
			(72,504)	(108,638)
	Payments made during the year		96,898	111,740
	Receivable at the end of the year		24,394	3,102
18.	**SHORT TERM INVESTMENTS**			
	Investments at 'amortised cost'			
	Term Deposit Receipts	18.1	1,522,000	6,122,000
	Treasury Bills	18.2	499,559	-
			2,021,559	6,122,000
	Investments at 'fair value through profit or loss'			
	Mutual funds	18.3 & 18.4	1,119,067	1,328,263
			3,140,626	7,450,263

18.1 These represent Term Deposit Receipts maturing upto 12 months with various banks bearing mark-up ranging from 5.35% to 14.00% (2018: 5.35% to 7.00%) per annum. Term Deposit Receipt of Rs 22 million (2018: Rs 22 million) with Faysal Bank Limited is marked under lien against bank guarantee (note 25.1.6).

18.2 These represent investments in three months Treasury Bills having a yield of 10.96% per annum. These Treasury Bills have matured subsequent to the year end on July 4, 2019.

18.3 Investments in mutual funds designated at fair value through profit or loss:

June 30, 2019	June 30, 2018	Name of investee	June 30, 2019	June 30, 2018
------- Number of units ------			---------Rupees '000----------	
748,554	666,328	MCB Cash Management Optimizer Fund	75,263	70,587
6,758,035	6,758,035	Meezan Islamic Fund	323,913	428,019
741,447	669,794	MCB DCF Income Fund	78,958	74,565
6,168,107	6,168,107	ABL Islamic Stock Fund	74,846	89,787
129,909	115,695	Atlas Money Market Fund	65,317	61,241
7,571,877	7,571,877	NAFA Islamic Asset Allocation Fund	104,045	117,461
17,735,243	17,735,243	NAFA Islamic Stock Fund	161,527	202,134
1,550	1,372	NAFA Money Market Fund	15	14
417,331	417,331	Al-Ameen Shariah Stock Fund	45,702	56,039
2,602,512	2,602,512	MSAF Meezan Strategic Allocation Plan I	94,605	114,551
2,645,091	2,645,091	MSAF Meezan Strategic Allocation Plan II	94,876	113,865
45,519,656	45,351,385		1,119,067	1,328,263

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

19. CASH AND BANK BALANCES

	Note	June 30, 2019	June 30, 2018
		------------Rupees '000------------	
With banks in current accounts			
- remunerative	19.1	266,688	542,370
- non-remunerative		27,556	20,209
		294,244	562,579
Cash in hand		10,041	15,745
		304,285	578,324

19.1 These accounts carry mark-up ranging from 5.85% to 11.00% (2018: 4.50% to 6.25%) per annum.

20. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

June 30, 2019	June 30, 2018		June 30, 2019	June 30, 2018
--------(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

20.1 As at June 30, 2019, 1,000,000 ordinary shares of Rs 1,000 each were held by SBP (the parent) and its nominee.

	Note	June 30, 2019	June 30, 2018
21. RESERVES		------------Rupees '000------------	
Surplus on revaluation of property, plant and equipment - net	21.2	54,301,206	51,503,347
Other reserves			
- Deficit on revaluation of investments		-	(82,462)
- Asset acquisition reserve	21.1	7,500,000	7,500,000
- General reserve		1,690,164	1,630,950
- Accumulated loss		(1,308,976)	(1,189,890)
		7,881,188	7,858,598
		62,182,394	59,361,945

21.1 This includes amount transferred from unappropriated profit each year for the purpose of setting aside reserves for future capital expenditure. The reserve is not utilisable for the purpose of distribution to shareholders.

	June 30, 2019	June 30, 2018
	------------Rupees '000------------	
21.2 Surplus on revaluation of property, plant and equipment - net		
As at July 1		
- Freehold land	51,068,759	51,068,759
- Buildings on freehold land	620,840	623,892
	51,689,599	51,692,651
Surplus on revaluation of land and buildings on freehold land	2,614,218	-
Less: Transferred to accumulated loss		
Surplus relating to incremental depreciation charged during the year - net of deferred tax	(1,865)	(2,136)
Related deferred tax	(746)	(916)
	(2,611)	(3,052)
	54,301,206	51,689,599
Less: Related deferred tax liability:		
As at July 1	(186,252)	(187,168)
Deferred tax adjustment	6,220	-
Incremental depreciation charged during the year on related assets transferred to profit or loss	746	916
Deferred tax reversal on account of revaluation	179,286	
Deferred tax liability recognised on surplus	-	(186,252)
	54,301,206	51,503,347

22. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	June 30, 2019			June 30, 2018		
	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	9,998	2,255	7,743	11,302	1,916	9,386
Later than one year and not later than five years	22,549	2,123	20,426	29,516	1,371	28,145
	32,547	4,378	28,169	40,818	3,287	37,531
Less: shown in current maturity			(7,743)			(9,386)
Long term portion			20,426			28,145

22.1 The above represents finance leases entered into to procure the Corporation's vehicles. The financing rate used as discounting factor ranges from 9.56% to 11.54% (2018: 6.17% to 7.19%). 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.

22.2 Following is the movement in liabilities against assets subject to finance leases:

	Note	June 30, 2019	June 30, 2018
		Rupees '000	
Opening balance as at July 1		37,531	16,834
Financial charges on leases		2,704	1,845
Finance leases obtained during the year		-	30,317
Lease discontinued		-	(1,196)
Lease rental paid		(12,066)	(10,269)
Closing balance as at June 30		28,169	37,531

23. DEFERRED LIABILITIES

Defined benefit plan (staff pension scheme) - funded	23.3	4,311,844	4,098,377

23.1 As stated in note 2.16, 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, 2019. The disclosures made in notes 23.2 to 23.15 are based on the information included in that actuarial report.

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

	Note	June 30, 2019	June 30, 2018
- Discount rate - per annum		14.50 % p.a	10.00% p.a
- Expected rate of increase in salaries - annual		12.50% p.a	10.00% p.a
- Expected rate of increase in monthly pension		10.00% p.a	6.00% p.a
- Pre-retirement mortality		SLIC 2001-2005	SLIC 2001-2005
- Post-retirement mortality		SLIC 2001-2005	SLIC 2001-2005

23.3 Reconciliation of statement of financial position:

	Note	June 30, 2019	June 30, 2018
Present value of defined benefit obligation	23.4	5,785,717	5,788,238
Fair value of plan assets	23.5	(1,473,873)	(1,689,861)
Net liability in the statement of financial position		4,311,844	4,098,377

23.4 Present value of defined benefit obligation

	June 30, 2019	June 30, 2018
as at July 1, 2018 / 2017	5,788,238	4,957,302
Current service cost	69,371	58,305
Interest cost	564,011	448,191
Benefits paid	(296,263)	(223,980)
Past service cost	88,194	-
Remeasurement (gain) / loss on obligation	(427,834)	548,420
Present value as at June 30	5,785,717	5,788,238

23.5 Movement in fair value of plan assets

	June 30, 2019	June 30, 2018
Fair value as at July 1, 2018 / 2017	1,689,861	1,811,035
Expected return on plan assets	157,956	160,716
Corporation's contributions	75,658	76,844
Benefits paid	(296,263)	(223,980)
Remeasurement loss on fair value of plan assets	(153,339)	(134,754)
Fair value as at June 30	1,473,873	1,689,861

23.5.1 In addition to these investments, plan assets aggregating Rs 453.842 million owned by the Corporation for and on behalf of NSPC in accordance with the common facilities and cost sharing agreement dated May 19, 2017.

23.6 Movement in net liability in the statement of financial position is as follows:

	Note	June 30, 2019	June 30, 2018
		------------Rupees '000------------	
Opening balance of net liability		4,098,377	3,146,267
Charge for the year	23.8	563,620	345,780
Corporation's contributions		(75,658)	(76,844)
Net remeasurement (gain) / loss for the year	23.10	(274,495)	683,174
Closing balance of net liability		4,311,844	4,098,377

		Note	June 30, 2019	June 30, 2018
			------------Rupees '000------------	
23.7	Charge for the year has been allocated as under:			
	Cost of sales	26	421,941	267,542
	Administrative expenses	27	141,679	78,238
			563,620	345,780

23.8 The following amounts have been recognised in profit or loss in respect of the pension plan:

	June 30, 2019	June 30, 2018
	------------Rupees '000------------	
Current service cost	69,371	58,305
Past service cost	88,194	-
Net interest cost	406,055	287,475
	563,620	345,780

23.9 Actual return on plan assets

Expected return on plan assets	157,956	160,716
Remeasurement loss on fair value of plan assets	(153,339)	(134,754)
Actual return on plan assets	4,617	25,962

23.10 Remeasurement recognised in other comprehensive income

Remeasurement (gain) / loss on defined benefit obligation	(427,834)	548,420
Remeasurement loss on fair value of plan assets	153,339	134,754
	(274,495)	683,174

23.11 Plan assets comprise of the following:

	June 30, 2019		June 30, 2018	
	Rs in '000	Percentage %	Rs in '000	Percentage %
Equity instruments	89,092	4.62	582,186	26.12
Debt instruments	1,083,083	56.18	700,260	31.41
Cash and cash equivalents	755,540	39.20	946,867	42.47
	1,927,715	100.00	2,229,313	100.00
Less: Pertaining to NSPC	453,842		539,452	
	1,473,873		1,689,861	

23.12 Expected charge to profit or loss in respect of post employment benefit plan for the year ending June 30, 2020 is Rs 675.572 million.

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

	June 30, 2019 Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	----------Rupees '000----------		
Discount rate	1%	(587,234)	707,102
Salary growth rate	1%	179,205	(165,726)
Pension indexation rate	1%	541,945	(464,272)

23.14 The above sensitivity analysis is 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 statement of financial position.

23.15 The weighted average duration of the defined benefit obligation is 11 years (2018: 13 years).

23.16 Through its defined benefit plan, the scheme 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 scheme 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 scheme 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.

		Note	June 30, 2019	June 30, 2018
24.	**TRADE AND OTHER PAYABLES**		-----------Rupees '000-----------	
	Creditors			
	- Payable to associates	24.1	470,670	1,011,322
	- Payable to others		49,971	24,412
	- Payable to SBP		10,559	41,432
	Bills payable		674,852	2,291
	Accrued liabilities		684,829	640,359
	Advance from SBP	24.2	-	159,490
	Deposits and retention money		25,954	18,443
	Advance rent and security deposits	24.3	1,872	1,817
	Others		191,984	149,575
			2,110,691	2,049,141
24.1	Payable to associates			
	Security Papers Limited		248,423	488,688
	SICPA Inks Pakistan (Private) Limited		222,247	522,634
			470,670	1,011,322

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

24.3 This includes amount received as security deposit against rent of a premises. This amount has not been kept in a separate bank account since it is utilisable for the purpose of the Corporation's business.

25. CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

25.1.1 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.

25.1.2 In the previous years, certain income tax demands were raised for amount of Rs 34.9 million. The Corporation, having paid the aforesaid 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 [ACIR] for amending the aforesaid assessments. The Corporation, being aggrieved of the matters decided in favour of the tax authorities, filed miscellaneous application before ATIR, which were dismissed by the ATIR. A reference before the High Court of Sindh has been filed by the Corporation, the adjudication of which is pending to date.

The management is continuing with its view that the demand will eventually be revoked and the amount paid will be refunded / adjusted in favour of the Corporation. Therefore no provision has been made in the financial statements.

25.1.3 During the year, the tax demands aggregating Rs 515.487 million relating to the Corporation’s tax years 2013 to 2018 were raised. In relation to the tax year 2017 a rectification application was filed as a result of which the aggregate tax demand was reduced to Rs 343.240 million. Simultaneously, appeals before the CIR(A) were filed which were partially decided in favour of the Corporation vide orders dated January 28, 2019 (for tax years 2013 to 2017) and August 6, 2019 (for tax year 2018) thus further reducing the tax demand to Rs 206.772 million mainly on account of apportionment of expenses and disallowance of credit claimed on sales.

Being aggrieved, the Corporation has filed appeals before the ATIR for tax years 2013 to 2017 which are pending for adjudication, while appeal for tax year 2018 shall be filed in due course. The Corporation has also filed application to the Deputy Commissioner Inland Revenue (DCIR) for giving appeal effect of the aforementioned CIR(A) order.

The management, based on the advice of tax experts, expects a favourable outcome of the aforementioned matters and therefore no provision has been made in the financial statements.

25.1.4 Outstanding letters of guarantee amounted to Rs 22 million (2018: Rs 22 million).

25.2 **Commitments**

25.2.1 Capital commitments at the year end amounted to Rs 39.467 million (2018: Rs 16.293 million).

25.2.2 Letters of credit for raw material and stores and spares outstanding at the year end amounted to Rs 1,532.645 million (2018: Rs 1,595.255 million).

	Note	June 30, 2019	June 30, 2018
26. COST OF SALES		-----------Rupees '000-----------	
Raw material			
Opening stock		1,025,080	1,144,470
Purchases including in transit		9,585,440	7,787,202
Closing stock	13	(660,010)	(1,025,080)
		9,950,510	7,906,592
Salaries, wages and other benefits		747,889	769,943
Pension	23.7	421,941	267,542
Outsourced services		389,589	190,066
Training		7,657	828
Stores and spares		603,522	344,812
Fuel and power		122,001	98,820
Insurance		10,329	6,497
Rent, rates and taxes		33,001	27,048
Depreciation	4.2	64,857	72,378
Provision for obsolete stores and spares - net		5,286	4,072
Provision for slow moving and obsolete stock-in-trade - net	13.1	-	809
Repairs and maintenance		56,513	40,680
Amortisation	6.2	-	88
		2,462,585	1,823,583
Manufacturing cost		12,413,095	9,730,175
Opening work-in-process		1,344,144	746,330
Closing work-in-process	13	(2,328,955)	(1,344,144)
		(984,811)	(597,814)
Cost of goods manufactured		11,428,284	9,132,361
Opening stock of finished goods		4,359	234,216
Closing stock of finished goods	13	(13,494)	(4,359)
		(9,135)	229,857
		11,419,149	9,362,218

		Note	June 30, 2019	June 30, 2018
			-----------Rupees '000-----------	
27.	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and other benefits		339,859	277,380
	Pension	23.7	141,679	78,238
	Outsourced services		60,289	33,266
	Training		12,251	5,903
	Directors' meeting fee and expenses		2,190	1,172
	Fuel and power		28,922	23,946
	Insurance		2,895	2,124
	Travelling		16,415	16,986
	Depreciation	4.2	31,761	28,838
	Amortisation	6.2	2	2
	Security charges		98,314	81,361
	Repairs and maintenance		24,407	14,817
	Communication		3,753	2,652
	Legal and professional charges		4,226	1,603
	Advertisements		8,474	7,691
	Printing and stationery		538	247
	Operating lease rentals		2,627	1,998
	Provision for doubtful debts - net	14.1	360	157
	Entertainment		1,084	2,840
	Others		17,942	10,197
			797,988	591,418

		Note	June 30, 2019	June 30, 2018
28.	**OTHER EXPENSES**			
			-----------Rupees '000-----------	
	Auditor's remuneration	28.1	1,197	2,148
	Exchange loss - net		220,029	2,293
	Workers' Profit Participation Fund	17.1	75,606	116,898
	Loss on sale of investments		-	9,808
	Loss on remeasurement of investments		237,045	87,195
	Others		100	100
			533,977	218,442
28.1	Auditor's remuneration			
	Audit fee		847	770
	Fee for half yearly review		-	137
	Other services	28.1.1	168	1,046
			1,015	1,953
	Out of pocket expenses		182	195
			1,197	2,148

28.1.1 These include fee in respect of taxation services.

	Note	June 30, 2019	June 30, 2018
		-----------Rupees '000-----------	
29. OTHER INCOME			
Income from financial assets			
Return on investment in Pakistan Investment Bonds		-	507
Mark-up on bank deposits	29.1	300,085	346,620
Mark-up on Treasury Bills		102,497	-
Dividend income		27,104	-
Service charges on long term loans	9	5,301	3,013
		434,987	350,140
Income from non-financial assets			
- Related parties			
Rental income from SICPA		10,475	9,453
Service charges recovered from SPL		293	335
		10,768	9,788
- Others			
Rental income		10,411	9,705
Scrap sales		6,813	4,045
Reversal of provision for slow moving and obsolete stock-in-trade - net	13.1	651	-
Gain on disposal of operating fixed assets		-	2,655
Miscellaneous income		721	649
		18,596	17,054
		464,351	376,982

29.1 These amounts have been netted off against share of other income aggregating Rs Nil (2018: Rs 19.728 million) relating to NSPC.

	Note	June 30, 2019	June 30, 2018
		-----------Rupees '000-----------	
30. FINANCE COST			
Financial charges on liabilities against assets subject to finance lease		2,704	1,845
Bank charges		1,353	1,428
		4,057	3,273
31. SHARE OF PROFIT FROM ASSOCIATES			
Security Papers Limited	7.1.1	264,837	370,066
SICPA Inks Pakistan (Private) Limited	7.2.1	437,460	321,351
		702,297	691,417

		June 30, 2019	June 30, 2018
		-----------Rupees '000-----------	

32. TAXATION

Current - for the year	545,432	905,828
- prior year	1,455	12,585
	546,887	918,413
Deferred	(17,665)	129,702
	529,222	1,048,115

32.1 Relationship between tax expense and accounting profit

Profit before taxation	2,358,646	3,107,329
Tax applicable at the rate of 29% (2018: 30%)	684,007	932,199
Difference in effective tax rate of equity-accounted investees	(98,860)	(60,482)
Tax effect of transactions taxed at lower rates	30,114	1,901
Tax credits	(42,239)	(316)
Tax effect of change in tax rate for next year	(87,843)	74,729
Tax effects of notional expenses allowed on rental income	(604)	(582)
Super tax	43,192	88,081
	527,767	1,035,530
Prior year tax effect	1,455	12,585
	529,222	1,048,115

33. EARNINGS PER SHARE

Profit after taxation	1,829,424	2,059,214
	---------(No. of Shares)---------	
Weighted average number of ordinary shares outstanding during the year	1,000,000	1,000,000
	---------------Rupees---------------	
Earnings per share	1,829	2,059

There are no dilutive potential ordinary shares outstanding as at June 30, 2019 or 2018.

34. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

34.2 Significant transactions with related parties other than those specifically included in investment in associates (note 7), transactions with employee's pension scheme (note 23), cost of sales (note 26), administrative expenses (note 27) and other income (note 29) are as follows:

	Note	June 30, 2019	June 30, 2018
		-----------Rupees '000-----------	
Transactions with parent / common control and directorship			
Sale of bank notes		13,757,877	11,776,570
Sale of prize bonds	34.9	189,292	437,711
Charge of staff deputed at the Corporation		38,258	40,490
Transactions with associated undertakings			
Purchase of paper from SPL		4,088,126	3,458,205
Sharing of group pool expenses with SPL		36,557	41,178
Purchase of ink from SICPA		5,349,880	4,269,892
Share of group pool expenses with SICPA		2,917	2,761
Transactions with entities under common control / directorship			
Expenses borne on behalf of NSPC		516,463	544,801
Transactions with Government of Pakistan			
Maturity of Pakistan Investment Bonds		-	100,000
Investment in Treasury Bill		4,353,125	-
Markup income on government securities		102,497	507
Key management personnel		Note 34.7	

34.3 All transactions with related parties are entered on mutually agreed terms.

34.4 Transactions with employee benefit scheme are carried out based on the terms of employment of the employees and according to the actuarial advice (note 23).

34.5 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 9 directors (2018: 9 directors) of the Corporation including the Managing Director.

34.6 The outstanding balances of related parties as at June 30, 2019 is included in notes 7, 14, 23 and 24. These are to be settled in the ordinary course of business.

34.7 Remuneration of the Managing Director, Directors and Executives of the Corporation is as follows:

	June 30, 2019			June 30, 2018		
	Managing Director	**Directors**	**Executives**	**Managing Director**	**Directors**	**Executives**
	-----	-----	-----	Rupees '000	-----	-----
Directors' meeting fee	-	2,138	-	-	950	-
Managerial remuneration	24,051	-	104,840	24,909	-	86,178
Bonus	5,431	-	21,121	3,083	-	17,633
Ex-gratia	4,400	-	20,342	-	-	14,107
Staff retirement benefits	-	-	8,436	-	-	6,739
Medical expenses	232	-	476	83	-	171
Others	195	52	1,375	120	222	2,367
	34,309	2,190	156,590	28,195	1,172	127,195
Number of persons	1	9	26	1	10	22

34.8 Following are the related parties with whom the Corporation had entered into transactions or have arrangements / agreements in place.

S. No.	Company name	Basis of relationship	Aggregate % of shareholding in the Company
1	State Bank of Pakistan	Parent	100.00%
2	Government of Pakistan	Major shareholder of SBP	N/A
3	Security Papers Limited	Associate	N/A
4	SICPA Inks Pakistan (Private) Limited	Associate	N/A
5	Pakistan Security Printing Corporation - Employees' Pension Fund	Employees pension scheme	N/A
6	National Security Printing Company (Private) Limited	State owned / controlled entity	N/A
7	Mr. Reza Baqir	Director	N/A
8	Mr. Jameel Ahmad	Director	N/A
9	Mr. Zaffar A. Khan	Director	N/A
10	Mr. Izhar Hussain	Director	N/A
11	Mr. Malik Asrar Hussain	Director	N/A
12	Mr. Mohammad Tanvir Butt	Director	N/A
13	Mr. Ashraf Khan	Director	N/A
14	Mr. Saleem Ullah	Director	Nominee shareholder on behalf of parent company
15	Mr. Muhammad Haroon Rasheed	Managing Director	N/A

34.9 In respect of sale of prize bonds, SBP is acting as an agent on behalf of its principal i.e Central Directorate of National Savings (CDNS).

35. 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 14.4). The facility amounts to Rs 250 million (2018: Rs 250 million) and the rate of mark-up is three months average KIBOR (2018: three months average KIBOR).

36. CASH GENERATED FROM OPERATIONS

	Note	June 30, 2019	June 30, 2018
		-----------Rupees '000-----------	
Profit before taxation		2,358,646	3,107,329
Adjustments for non cash items and other items:			
Depreciation	4.2	96,618	101,216
Gain on disposal of operating fixed assets	29	-	(2,655)
Loss on remeasurement of investments	28	237,045	87,195
Expense for pension fund	23.8	563,620	345,780
Mark-up on bank deposits	29	(300,085)	(346,620)
Mark-up on government securities	29	(102,497)	(507)
Share of profit from associates	31	(702,297)	(691,417)
Provision for doubtful debts - net	14.1	360	157
Provision for slow moving and obsolete stock-in-trade and stores and spares - net	12 & 13	4,635	5,202
Amortisation	6.2	2	90
Financial charges on liabilities against assets subject to finance lease	30	2,704	1,845
Loss on sale of investments	28	-	9,808
Service charges on long term loans	29	(5,301)	(3,013)
Dividend income	29	(27,104)	-
Working capital changes	36.1	(1,680,729)	(3,288,192)
		445,617	(673,782)

36.1 Working capital changes

(Increase) / decrease in current assets			
Stores and spares		(334,960)	(48,826)
Stock-in-trade		(628,876)	(248,567)
Trade debts		64,318	345,526
Loans and advances		(35,809)	(2,259)
Trade deposits and prepayments		(54,542)	(5,000)
Other receivables		(89,390)	1,698,939
		(1,079,259)	1,739,813
(Decrease) / increase in current liabilities			
Trade and other payables		61,550	(159,394)
Payable to NSPC		(663,173)	(4,868,789)
Accrued mark-up		153	178
		(601,470)	(5,028,005)
		(1,680,729)	(3,288,192)

37. CASH AND CASH EQUIVALENTS

	Note	June 30, 2019	June 30, 2018
Investments at amortized cost with contractual maturity of less than three months			
Term Deposit Receipts		1,000,000	6,100,000
Treasury Bills	18	499,559	-
		1,499,559	6,100,000
Cash and bank balances	19	304,285	578,324
		1,803,844	6,678,324

38. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

38.1 Financial instruments by category

	Note	June 30, 2019	June 30, 2018
		-------------Rupees '000-------------	
FINANCIAL ASSETS			
Amortised cost			
Long term loans	9 & 15	254,729	92,626
Long-term deposits	10	28,066	18,172
Trade debts	14	1,292,416	1,357,094
Trade deposits	16	44,358	-
Accrued mark-up		15,706	4,702
Other receivables	17	2,386	32,551
Short term investments	18	2,021,559	6,122,000
Cash and bank balances	19	304,285	578,324
		3,963,505	8,205,469
Fair value through profit or loss			
Short term investments	18	1,119,067	1,328,263
Other long-term investments			
- Al Hamra Islamic Stock Fund	8	19,092	23,904
		5,101,664	9,557,636
FINANCIAL LIABILITIES			
Financial liabilities at amortised cost			
Liabilities against assets subject to finance leases	22	28,169	37,531
Trade and other payables	24	2,108,819	1,887,834
Payable to NSPC		240,306	905,862
Accrued mark-up		401	248
		2,377,695	2,831,475

38.2 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 38.2.1, 38.2.2 and 38.2.3 below:

38.2.1 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 5,101.664 million (2018: Rs 9,557.636 million), the financial assets that are subject to credit risk amounted to Rs 5,091.623 million (2018: Rs 9,541.891 million).

The analysis below summarises the credit quality of the Corporation's financial assets as at June 30, 2019 / 2018:

The bank balances along with credit ratings are tabulated below:

	June 30, 2019	June 30, 2018
	-------------Rupees '000-------------	
Credit ratings		
A-1+	294,244	562,579

The analysis of credit rating of investments carried at fair value through profit or loss is as follows:

Credit ratings		
AM1+	824,683	1,032,083
AM2	65,317	61,241
AM2++	248,159	258,843
	1,138,159	1,352,167

Term Deposit Receipts of the Corporation as at June 30, 2019 are kept with commercial banks having minimum credit rating of A-1.

As at June 30, 2019, trade debts balance is due from SBP (the parent). Accordingly the credit risk is minimal.

38.2.2 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
	June 30, 2019		
	----------------------Rupees '000----------------------		
Financial liabilities			
Liabilities against assets subject to finance leases	9,998	22,549	32,547
Trade and other payables	2,108,819	-	2,108,819
Payable to NSPC	240,306	-	240,306
Accrued mark-up	401	-	401
	2,359,524	22,549	2,382,073
	June 30, 2018		
	----------------------Rupees '000----------------------		
Financial liabilities			
Liabilities against assets subject to finance leases	11,302	29,516	40,818
Trade and other payables	1,887,833	-	1,887,833
Payable to NSPC	905,862	-	905,862
Accrued mark-up	248	-	248
	2,805,245	29,516	2,834,761

38.2.3 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

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, 2019, 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 17.887 million (2018: Rs 66.644 million). This is mainly due to changes in the interest rates of balances placed on term deposits 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 financial instruments 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.

38.2.4 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, 2019, 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 reporting 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 (i.e. as prices) or indirectly (i.e. derived from prices) (level 2).

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

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

The following table analysis within the fair value hierarchy of the Corporation's financial assets (by class) measured at fair value at June 30, 2019:

Financial assets	**June 30, 2019**			
	Level 1	**Level 2**	**Level 3**	**Total**
	-------------------------Rupees '000-------------------------			
Investments at fair value through profit and loss	1,138,159	-	-	1,138,159

Financial assets	**June 30, 2018**			
	Level 1	**Level 2**	**Level 3**	**Total**
	-------------------------Rupees '000-------------------------			
Investments at fair value through profit and loss	1,352,167	-	-	1,352,167

39. 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, 2019 and 2018, the Corporation had surplus reserves to meet its requirements.

40. PLANT CAPACITY AND ACTUAL PRODUCTION

	June 30, 2019	**June 30, 2018**
	-------------Reams-------------	
Production	144,664	133,555

The actual production was sufficient to meet the demand. Due to nature of business of the Corporation, installed capacity is not relevant.

41. NUMBER OF EMPLOYEES

The total and average number of employees during the year and as at June 30, 2019 and 2018 respectively are as follows:

	June 30,	**June 30,**
	----------No of employees----------	
Average number of employees during the year	756	758
Number of employees as at June 30	731	741

42. NON-ADJUSTING EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

The Board of Directors at its meeting held on October 02, 2019 has proposed for the year ended June 30, 2019 cash dividend of Rs NIL per share (2018: Rs 2,000 per share), amounting to Rs NIL (2018: Rs 2,000 million), transfer to asset acquisition reserve and general reserve from unappropriated profits amounting to Rs NIL (2018: Rs NIL) and Rs NIL (2018: Rs NIL) respectively, subject to the approval of the members at the annual general meeting to be held on October 28, 2019. The financial statements for the year ended June 30, 2019 do not include the effect of these appropriation which will be accounted for subsequent to the year end.

43. GENERAL

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

43.2 Corresponding figures have been reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison.

44. DATE OF AUTHORISATION

These financial statements were authorised for issue on **October 11, 2019** by the Board of Directors of the Corporation.

Chief Executive Officer **Chief Financial Officer**

Chief Executive Officer **Director**