

# 13 Financial Statements of PSPC

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## **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, 2018, 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, the 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, 2018 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the 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 director's report, but does not include the financial statements and our auditor's report thereon.

## **A.F Ferguson & Co. Chartered Accountants**

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.

**A.F Ferguson & Co.  
Chartered Accountants**

- 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.
- 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 profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account 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, October 17, 2018**

**PAKISTAN SECURITY PRINTING CORPORATION (PRIVATE) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2018**

	Note	June 30, 2018	June 30, 2017	July 1, 2016
-----Rupees '000-----				
<b>ASSETS</b>				
<b>NON CURRENT ASSETS</b>				
Property, plant and equipment	6	52,144,366	52,183,635	883,284
Investment property	7	-	-	-
Intangibles	8	6	96	495
		<u>52,144,372</u>	<u>52,183,731</u>	<u>883,779</u>
Long term investments in associates	9	2,345,584	2,134,590	1,988,032
Other long term investments	10	23,904	27,164	120,195
Long term loans	11	82,087	96,168	61,626
Long term deposits	12	18,172	12,836	13,176
Deferred taxation	13	243,999	193,273	693,601
		<u>54,858,118</u>	<u>54,647,762</u>	<u>3,760,409</u>
<b>CURRENT ASSETS</b>				
Stores and spares - net	14	293,041	248,608	333,567
Stock-in-trade - net	15	2,321,705	2,073,947	2,515,499
Trade debts - net	16	1,357,094	1,702,777	2,493,084
Loans and advances	17	29,040	26,781	19,507
Trade deposits and prepayments	18	9,821	4,821	13,973
Accrued mark-up		4,702	90,233	91,708
Other receivables	19	45,097	1,744,036	23,386
Current maturity of long term investments	10	-	99,955	199,932
Short term investments	20	7,450,263	7,704,086	6,087,047
Taxation - net		505,899	398,414	221,446
Cash and bank balances	21	578,324	1,275,911	1,787,567
		<u>12,594,986</u>	<u>15,369,569</u>	<u>13,786,716</u>
<b>TOTAL ASSETS</b>		<u>67,453,104</u>	<u>70,017,331</u>	<u>17,547,125</u>
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL AND RESERVES</b>				
<b>Share capital</b>				
Authorised capital 1,000,000 (June 30, 2017: 1,000,000) ordinary shares of Rs 1,000 each		<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid up capital	22	1,000,000	1,000,000	1,000,000
<b>Reserves</b>				
Surplus on revaluation of property, plant and equipment - net	23	51,503,347	51,505,483	-
Other reserves	23	7,858,598	6,365,491	11,166,608
		<u>59,361,945</u>	<u>57,870,974</u>	<u>11,166,608</u>
<b>TOTAL EQUITY</b>		<u>60,361,945</u>	<u>58,870,974</u>	<u>12,166,608</u>
<b>NON CURRENT LIABILITIES</b>				
Liabilities against assets subject to finance leases	24	28,145	11,674	17,563
Deferred liabilities	25	4,098,377	3,146,267	3,622,195
		<u>4,126,522</u>	<u>3,157,941</u>	<u>3,639,758</u>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	26	2,049,141	2,208,535	1,732,736
Payable to NSPC		905,862	5,774,651	-
Accrued mark-up		248	70	112
Current portion of liabilities against assets subject to finance leases	24	9,386	5,160	7,911
		<u>2,964,637</u>	<u>7,988,416</u>	<u>1,740,759</u>
		<u>7,091,159</u>	<u>11,146,357</u>	<u>5,380,517</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>67,453,104</u>	<u>70,017,331</u>	<u>17,547,125</u>
<b>CONTINGENCIES AND COMMITMENTS</b>				
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The annexed notes 1 to 48 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, 2018**

	Note	June 30, 2018	June 30, 2017
-----Rupees '000-----			
<b>CONTINUING OPERATIONS</b>			
Net sales		12,214,281	9,476,192
Cost of sales	28	<u>(9,362,218)</u>	<u>(7,106,566)</u>
<b>GROSS PROFIT</b>		2,852,063	2,369,626
Administrative expenses	29	<u>(591,418)</u>	<u>(515,159)</u>
Other expenses	30	<u>(218,442)</u>	<u>(110,604)</u>
Other income	31	<u>376,982</u>	<u>686,498</u>
		<u>(432,878)</u>	<u>60,735</u>
Operating profit		2,419,185	2,430,361
Finance cost	32	(3,273)	(1,915)
Share of profit from associates	33	691,417	562,453
<b>PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS</b>		<u>3,107,329</u>	<u>2,990,899</u>
Taxation	34	(1,048,115)	(945,961)
<b>PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS</b>		<u>2,059,214</u>	<u>2,044,938</u>
<b>DISCONTINUED OPERATIONS</b>			
Profit after taxation from discontinued operations	35	-	697,930
<b>Profit for the year</b>		<u>2,059,214</u>	<u>2,742,868</u>
-----Rupees-----			
<b>EARNINGS PER SHARE</b>	36		
- Continuing operations		2,059	2,045
- Discontinued operations		-	698
		<u>2,059</u>	<u>2,743</u>

The annexed notes 1 to 48 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, 2018**

	June 30, 2018	June 30, 2017
	-----Rupees '000-----	
Profit for the year	2,059,214	2,742,868
<b>Other comprehensive (loss) / income for the year:</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Share of other comprehensive loss of associates	(64,227)	(58,904)
Impact of deferred tax	9,634	7,364
	<u>(54,593)</u>	<u>(51,540)</u>
Unrealised (depreciation) / appreciation during the year on available-for-sale investments of the Corporation	(3,260)	5,967
	<u>(57,853)</u>	<u>(45,573)</u>
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Remeasurement of post retirement benefits obligation of associates (notes 9.1 and 9.2)	1,990	2,664
Deferred tax	-	-
	<u>1,990</u>	<u>2,664</u>
Remeasurement of post retirement benefits obligation of the Corporation	(683,174)	(219,863)
Impact of deferred tax	170,794	65,959
	<u>(512,380)</u>	<u>(153,904)</u>
Gain on revaluation of property, plant and equipment	-	51,693,429
Impact of deferred tax	-	(187,401)
	<u>-</u>	<u>51,506,028</u>
Total items that will not be reclassified subsequently to profit or loss	(510,390)	51,354,788
<b>Total other comprehensive (loss) / income for the year</b>	(568,243)	51,309,215
<b>Total comprehensive income for the year</b>	<u>1,490,971</u>	<u>54,052,083</u>
Total comprehensive income for the year attributable to owners of the Corporation arising from		
- Continuing operations	1,490,971	53,383,883
- Discontinued operations	-	668,200
	<u>1,490,971</u>	<u>54,052,083</u>

The annexed notes 1 to 48 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, 2018

	Note	June 30, 2018	June 30, 2017
-----Rupees '000-----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	39	(673,782)	3,021,234
Taxes paid		(1,025,898)	(1,276,150)
Pension paid		(76,844)	(83,163)
Long term loans		17,094	(51,391)
Long term deposits - net		(5,336)	46
Net cash (utilised in) / generated from operating activities		(1,764,766)	1,610,576
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(33,197)	(124,740)
Investment in subsidiary		-	(1,000,000)
Proceeds from sale of long term investments		99,955	200,000
Purchase of short term investments		(22,014)	(6,553,260)
Proceeds from sale of property, plant and equipment		3,026	1,414
Proceeds from sale of short term investments		6,278,834	3,653,273
Mark-up received		432,658	451,208
Dividends received		418,186	359,656
Net cash generated from / (utilised in) investing activities		7,177,448	(3,012,449)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finance lease rentals paid		(10,269)	(9,783)
Dividend paid		-	(600,000)
Net cash utilised in financing activities		(10,269)	(609,783)
Net increase / (decrease) in cash and cash equivalents during the year		5,402,413	(2,011,656)
Cash and cash equivalents at the beginning of the year		1,275,911	3,287,567
Cash and cash equivalents at the end of the year	40	6,678,324	1,275,911

The annexed notes 1 to 48 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, 2018**

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-										
<b>Balance as at July 1, 2016</b>	1,000,000	20,964	3,800,000	-	3,820,964	5,996,048	1,349,596	7,345,644	11,166,608	12,166,608
<b>Transactions with owners</b>										
Final cash dividend for the year ended June 30, 2016@ 60% (i.e. Rs 600 per share)	-	-	-	-	-	-	(600,000)	(600,000)	(600,000)	(600,000)
Specie dividend - Net assets attributable to discontinued operations as on March 31, 2017	-	-	-	-	-	(5,131,717)	(1,616,000)	(6,747,717)	(6,747,717)	(6,747,717)
<b>Total transactions with owners</b>	-	-	-	-	-	(5,131,717)	(2,216,000)	(7,347,717)	(7,347,717)	(7,347,717)
Transfer to general reserve	-	-	-	-	-	23,751	(23,751)	-	-	-
Transfer to asset acquisition reserve	-	-	1,700,000	-	1,700,000	-	(1,700,000)	(1,700,000)	-	-
Surplus on revaluation of property, plant and equipment - incremental depreciation for the year - net of deferred tax	-	-	-	(545)	(545)	-	545	545	-	-
<b>Total comprehensive income for the year ended June 30, 2017</b>										
Profit for the year	-	-	-	-	-	-	2,742,868	2,742,868	2,742,868	2,742,868
Other comprehensive income / (loss)	-	(45,573)	-	51,506,028	51,460,455	-	(151,240)	(151,240)	51,309,215	51,309,215
	-	(45,573)	-	51,506,028	51,460,455	-	2,591,628	2,591,628	54,052,083	54,052,083
<b>Balance as at June 30, 2017</b>	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	-	-
<b>Total comprehensive income for the year ended June 30, 2018</b>										
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
<b>Balance as at June 30, 2018</b>	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

The annexed notes 1 to 48 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, 2018**

**1. THE CORPORATION AND ITS OPERATIONS**

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

**2. SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE CORPORATION'S FINANCIAL POSITION AND PERFORMANCE**

All significant transactions and events that have affected the Corporation's financial position and performance during the year have been adequately disclosed in the notes to these financial statements. For a detailed discussion about these significant transactions and events please refer to the Directors' report.

**3. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES**

3.1 Basis of measurement

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

3.2 Functional and presentation currency

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

- 3.3 The fifth schedule to the Companies Act, 2017 became applicable to the Corporation for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its fifth schedule) forms an integral part of the statutory financial reporting framework applicable to the Corporation and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.

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 has opted to make unreserved compliance of the IFRSs.

In accordance with IFRS 1 'First-time adoption of International Financial Reporting Standards', the same accounting policies have been followed throughout these first IFRS financial statements and in the opening IFRS statement of financial position as at July 1, 2016 except for the matter stated in note 5.2 below.

3.4 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.

These financial statements represent the first IFRS financial statements of the Corporation as detailed in note 3.3 above. The transition date for the purpose of these financial statements is July 1, 2016.

For all periods up to and including the year ended June 30, 2017, the Corporation's financial statements were prepared in accordance with approved accounting standards as applicable in Pakistan i.e. such IFRSs issued by the IASB as were notified under the repealed Companies Ordinance, 1984 and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements were to differ, the provisions of or directives under the Companies Ordinance, 1984 prevailed.

### 3.5 New standards, amendments to applicable financial reporting framework and new interpretations that are not yet effective

There are certain new standards, amendments to the standards and interpretations that will be mandatory for the Corporation's annual accounting periods beginning on or after July 1, 2018. The amendments and interpretations will not have any significant impact on the financial reporting of the Corporation and, therefore, have not been disclosed in these financial statements.

Further IFRS 9 'Financial Instruments' (effective July 1, 2018), IFRS 15 'Revenue from Customers' (effective July 1, 2018), IFRS 16 'Leases' (effective July 1, 2019) and IFRS 17 'Insurance contracts' (effective July 1, 2021) are applicable for the Corporation's future financial reporting. At present, the impacts of application of these IFRSs on the Corporation's future financial statements are being assessed.

### 3.6 Property, plant and equipment

#### 3.6.1 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 with effect from April 1, 2017 at revalued amounts less any accumulated depreciation and subsequent accumulated impairment, if any. The details are stated in note 5.2 below.

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 6.1.1 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 date of statement of financial position 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 made.

### 3.6.2 Capital work in progress

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

### 3.6.3 Leased

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

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

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

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

### 3.8 Intangible assets

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

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

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

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

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

### 3.9 Impairment

The Corporation assesses at each date of statement of financial position 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.

### 3.10 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 date of statement of financial position. 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.

### 3.11 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 date of statement of financial position.

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

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

### 3.12 Trade debts and other receivables

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

### 3.13 Taxation

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

#### Current

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

## Deferred tax

Deferred tax is recognised using the 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 date of statement of financial position and is recognised only to the extent that it is probable that future taxable profits will be available against which the assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

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

### 3.14 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.

### 3.15 Borrowing costs

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

### 3.16 Provisions

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed periodically and adjusted to reflect the current best estimates.

### 3.17 Trade and other payables

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

### 3.18 Leases

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

### 3.19 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 previous year 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.

### 3.20 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.

### 3.21 Revenue recognition

- Revenue from sale of goods is measured at fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. The Corporation records revenue from sale of goods on dispatch of goods to its customers.
- Rental income from property is accrued on time proportion basis at agreed rates.
- Interest income on available-for-sale debt securities, held-to-maturity investments and loans and receivables are recognised using effective interest rate method.
- Return on bank deposits is recognised on accrual basis taking into account the effective yield.

- Dividend income is recognised when the Corporation's right to receive the dividend is established.
- Gains / losses arising on sale of investments are included in profit or loss in the period in which they arise.
- Unrealised gains / losses arising on revaluation of securities classified as held for trading are included in profit or loss in the period in which they arise.
- Scrap sales and miscellaneous income are recognised on receipt basis.
- Unrealised gains / losses arising on revaluation of securities classified as 'available-for-sale' are included in other comprehensive income in the period in which they arise.

### 3.22 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 date of statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange differences are recognised in profit or loss.

### 3.23 Dividend and other appropriations

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

### 3.24 Financial instruments

#### 3.24.1 Financial assets

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

#### a) Financial assets at fair value through profit or loss

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

#### b) Loans and receivables

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

c) Held to maturity

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

d) Available for sale financial assets

These are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the date of statement of financial position.

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

### 3.24.2 Recognition

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

### 3.24.3 Measurement

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

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

### 3.24.4 Fair value measurement principles

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

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

### 3.24.5 Derecognition

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

### 3.24.6 Impairment

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

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

### 3.24.7 Financial liabilities

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

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

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

### 3.24.8 Off-setting of financial assets and financial liabilities

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

### 3.25 Contingent liabilities

A contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Corporation; or
- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

### 3.26 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 statement of associates but not older than three months.

#### **4. 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 the financial statements:

- a) Assumptions and estimates used in determining the recoverable amount, residual values and useful lives of property, plant and equipment (note 6);
- b) assumptions and estimates used in determining the fair value of land and buildings (note 6);
- c) assumptions and estimates used in determining the useful lives and residual values of intangibles (note 8);
- d) assumptions and estimates used in the recognition of current and deferred taxation (notes 13 and 34);
- e) assumptions and estimates used in determining the provision for slow moving stores and spares (note 14);
- f) assumptions and estimates used in writing down items of stock-in-trade to their net realisable value (note 15);
- g) assumptions and estimates used in calculating the provision for impairment for trade debts (note 16);
- h) assumptions and estimates used in measurement of fair value of investments (note 20);
- i) assumptions and estimates used in accounting for defined benefit plan (note 25); and
- j) assumptions and estimates used in disclosure and assessment of provision for contingencies (note 27).

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

**5. FIRST TIME ADOPTION OF IFRSs**

- 5.1 Presented below is a reconciliation of the amounts stated in the last annual financial statements for the year ended June 30, 2017 which were prepared in accordance with approved accounting standards as applicable in Pakistan and these financial statements:

	<b>July 1, 2016</b>	<b>June 30, 2017</b>
	----- Rupees '000 -----	
Total equity as reported in the financial statements for the year ended June 30, 2017	12,166,608	7,365,491
Impact due to change in an accounting policy (as stated in notes 5.1.1 and 5.2 below)	-	51,505,483
Total equity as reported in these financial statements	<u>12,166,608</u>	<u>58,870,974</u>
		<b>June 30, 2017</b>
		<b>Rupees '000</b>
Total comprehensive income as reported in the financial statements for the year ended June 30, 2017		2,546,055
Impact due to change in an accounting policy (as stated in notes 5.1.1 and 5.2 below)		51,506,028
Total comprehensive income as reported in these financial statements		<u>54,052,083</u>

- 5.1.1 As stated in the Corporation's previous financial statements i.e. for the year ended June 30, 2017, surplus on revaluation of property, plant and equipment was credited to the 'surplus on revaluation of property, plant and equipment' account and was shown in the balance sheet / statement of financial position below share capital and reserves in accordance with the previously applicable financial reporting framework i.e. approved accounting standards as applicable in Pakistan.

- 5.2 Change in an accounting policy during the period from the date of transition to IFRSs.

With effect from April 1, 2017, the Corporation has revised its accounting policy in respect of subsequent measurement of land and buildings which are now carried at revalued amount less accumulated depreciation and impairment, if any. Increases 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 statement of profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to 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'. 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.

From the date of transition to IFRSs i.e. July 1, 2016 and upto March 31, 2017, the land and buildings of the Corporation were stated at cost less accumulated depreciation and impairment, if any.

The effect of change in the accounting policy is summarised below:

	<b>As at March 31, 2017</b>	<b>Impact of change</b>	<b>As at April 1, 2017</b>
	----- Rupees in '000 -----		
<b>Effect on statement of financial position</b>			
Operating fixed assets			
- Land	3,241	51,068,759	51,072,000
- Buildings on freehold land	111,347	624,670	736,017
	<u>114,588</u>	<u>51,693,429</u>	<u>51,808,017</u>
Deferred taxation	<u>686,291</u>	<u>(187,401)</u>	<u>498,890</u>
Surplus on revaluation of property, plant and equipment - net	<u>-</u>	<u>51,506,028</u>	<u>51,506,028</u>

**Rupees in 000**

**Effect on statement of profit or loss  
and other comprehensive income**

Gain on revaluation of property, plant and equipment - net of tax (up to March 31, 2017)	-
Impact of change in policy made on April 1, 2017	51,506,028
Gain on revaluation of property, plant and equipment - net of tax recognised on April 1, 2017	<u>51,506,028</u>

	Note	June 30, 2018	June 30, 2017	July 1, 2016
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>				
Operating fixed assets	6.1	52,133,906	52,174,773	846,151
Capital work in progress	6.3	10,460	8,862	37,133
		<b>52,144,366</b>	<b>52,183,635</b>	<b>883,284</b>

**6.1 Operating fixed assets**

6.1.1 The following is a statement of operating fixed assets:

	Owned										Leased	Total
	Freehold land	Building on		Plant and machinery	Power and other installation	Furniture and fixtures	Office equipment and machinery	Vehicles	Sub total	Vehicles		
		Freehold land	Leasehold land									
	-----Rupees '000-----											
<b>As at July 1, 2015</b>												
Cost	3,241	434,148	2,732	7,425,364	284,865	53,213	229,533	18,949	8,452,045	45,392		8,497,437
Accumulated depreciation	-	(311,074)	(2,732)	(6,501,951)	(171,263)	(41,399)	(184,127)	(18,370)	(7,230,916)	(21,039)		(7,251,955)
Net book value	3,241	123,074	-	923,413	113,602	11,814	45,406	579	1,221,129	24,353		1,245,482
<b>Year ended June 30, 2016</b>												
Additions	-	2,145	-	15,584	-	2,177	16,448	46	36,400	7,692		44,092
Transfers from capital work in progress during the year (note 7.3.1)	-	2,464	-	74,992	-	-	-	-	77,456	-		77,456
Transfers												
Cost	-	-	-	-	-	-	-	3,770	3,770	(3,770)		-
Accumulated depreciation	-	-	-	-	-	-	-	(3,656)	(3,656)	3,656		-
Net book value	-	-	-	-	-	-	-	114	114	(114)		-
Disposals												
Cost	-	-	-	-	-	-	-	(3,815)	(3,815)	-		(3,815)
Accumulated depreciation	-	-	-	-	-	-	-	3,771	3,771	-		3,771
Net book value	-	-	-	-	-	-	-	(44)	(44)	-		(44)
Depreciation charge for the year	-	(11,045)	-	(459,548)	(24,606)	(2,684)	(13,983)	(369)	(512,235)	(8,600)		(520,835)
Net book value as at June 30, 2016	3,241	116,638	-	554,441	88,996	11,307	47,871	326	822,820	23,331		846,151
<b>Year ended June 30, 2017</b>												
Additions	-	-	-	4,982	519	1,707	3,423	-	10,631	-		10,631
Transfers from capital work in progress during the year (note 7.3.1)	-	2,503	-	133,844	-	-	-	-	136,347	-		136,347
Transfers												
Cost	-	-	-	-	-	-	-	3,846	3,846	(3,846)		-
Accumulated depreciation	-	-	-	-	-	-	-	(3,398)	(3,398)	3,398		-
Net book value	-	-	-	-	-	-	-	448	448	(448)		-
Disposals												
Cost	-	-	-	-	-	-	-	(5,281)	(5,281)	-		(5,281)
Accumulated depreciation	-	-	-	-	-	-	-	5,228	5,228	-		5,228
Net book value	-	-	-	-	-	-	-	(53)	(53)	-		(53)
Depreciation charge for the year	-	(11,991)	-	(126,519)	(24,062)	(2,771)	(12,751)	(538)	(178,632)	(7,035)		(185,667)
Transfer to investment												
Cost	-	-	(2,732)	-	-	-	-	-	(2,732)	-		(2,732)
Accumulated depreciation	-	-	2,732	-	-	-	-	-	2,732	-		2,732
Discontinued operations - note 36												
Cost	-	-	-	(1,256,741)	(5,208)	(13,053)	(55,753)	-	(1,330,755)	(3,111)		(1,333,866)
Accumulated depreciation	-	-	-	937,816	3,090	12,121	52,629	-	1,005,656	2,145		1,007,801
Net book value	-	-	-	(318,925)	(2,118)	(932)	(3,124)	-	(325,099)	(966)		(326,065)
Revaluation adjustment												
Cost	51,068,759	293,872	-	-	-	-	-	-	51,362,631	-		51,362,631
Accumulated depreciation	-	330,798	-	-	-	-	-	-	330,798	-		330,798
Net book value as at June 30, 2017	51,068,759	624,670	-	-	-	-	-	-	51,693,429	-		51,693,429
<b>Year ended June 30, 2018</b>												
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 7.3.1)	-	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	51,072,000	727,304	-	207,082	42,399	7,853	36,957	5,624	52,099,219	34,687		52,133,906
<b>As at June 30, 2016</b>												
Cost	3,241	438,757	2,732	7,515,940	284,865	55,390	245,981	18,950	8,565,856	49,314		8,615,170
Accumulated depreciation	-	(322,119)	(2,732)	(6,961,499)	(195,869)	(44,083)	(198,110)	(18,624)	(7,743,036)	(25,983)		(7,769,019)
Net book value	3,241	116,638	-	554,441	88,996	11,307	47,871	326	822,820	23,331		846,151
<b>As at June 30, 2017</b>												
Cost	51,072,000	735,132	-	6,399,025	280,176	44,044	193,651	17,515	58,740,543	42,357		58,782,900
Accumulated depreciation	-	(3,312)	-	(6,150,202)	(216,841)	(34,733)	(158,232)	(17,332)	(6,580,652)	(27,475)		(6,608,127)
Net book value	51,072,000	731,820	-	247,823	63,335	9,311	35,419	183	52,159,891	14,882		52,174,773
<b>As at June 30, 2018</b>												
Cost	51,072,000	743,645	-	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	51,072,000	727,304	-	207,082	42,399	7,853	36,957	5,624	52,099,219	34,687		52,133,906
<b>Annual rates of depreciation</b>												
	-	5%	5%	10%	10% - 20%	10% - 20%	10% - 33%	20%		20%		

- 6.1.2 A reassessment of the fair values of the land and buildings was conducted as at June 30, 2018, whereby it was confirmed that there is no material change in the values assessed as at March 31, 2017.

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

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

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

	June 30, 2018	June 30, 2017
	-----Rupees '000-----	
Freehold land	3,241	3,241
Building on freehold land	106,464	107,928

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

	Note	June 30, 2018	June 30, 2017	July 1, 2016
		-----Rupees '000-----		
Cost of sales attributable to:				
- Continuing operations	28	72,378	98,771	417,310
- Discontinued operations		-	59,959	74,218
		72,378	158,730	491,528
Administrative expenses attributable to:				
- Continuing operations	29	28,838	24,637	26,840
- Discontinued operations		-	2,300	2,467
		28,838	26,937	29,307
		101,216	185,667	520,835

- 6.3 Capital work in progress

Civil works	-	4,374	4,099
Plant and machinery	10,460	4,488	33,034
	10,460	8,862	37,133

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

Balance as at beginning of the year	8,862	37,133	35,042
Additions during the year			
- Plant and machinery	5,972	111,331	72,984
- Civil works	-	2,778	6,563
	5,972	114,109	79,547
Transfers to operating fixed assets			
- Plant and machinery	-	(133,844)	(74,992)
- Building on freehold land	(4,374)	(2,503)	(2,464)
	(4,374)	(136,347)	(77,456)
Less: Discontinued operations	35	-	-
Balance at end of the year	10,460	8,862	37,133

	June 30, 2018	June 30, 2017
	-----Rupees '000-----	
<b>7. INVESTMENT PROPERTY</b>		
Cost	2,732	2,732
Accumulated depreciation	<u>(2,732)</u>	<u>(2,732)</u>
Balance as at June 30	<u><u>-</u></u>	<u><u>-</u></u>

7.1 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.

## 8. INTANGIBLES

	Note	June 30, 2018	June 30, 2017	July 1, 2016
		-----Rupees '000-----		
<b>Computer software</b>				
<b>As at July 1</b>				
Cost		20,533	21,246	21,236
Accumulated amortisation		<u>(20,437)</u>	<u>(20,751)</u>	<u>(20,345)</u>
Net book value		96	495	891
<b>Year ended June 30</b>				
Additions during the year		-	-	10
Amortisation for the year	8.1 & 8.2	(90)	(252)	(406)
Less: Discontinued operations	35			-
- Cost		-	(713)	-
- Accumulated amortisation		-	566	-
Net book value as at June 30		<u><u>6</u></u>	<u><u>96</u></u>	<u><u>495</u></u>
<b>As at June 30</b>				
Cost		20,533	20,533	21,246
Accumulated amortisation		<u>(20,527)</u>	<u>(20,437)</u>	<u>(20,751)</u>
Net book value		<u><u>6</u></u>	<u><u>96</u></u>	<u><u>495</u></u>

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

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

	Note	June 30, 2018	June 30, 2017	July 1, 2016
		-----Rupees '000-----		
Cost of sales attributable to:				
- Continuing operations	28	88	109	252
- Discontinued operations		<u>-</u>	<u>107</u>	<u>-</u>
		88	216	252
Administrative expenses attributable to:				
- Continuing operations	29	2	36	154
		<u><u>90</u></u>	<u><u>252</u></u>	<u><u>406</u></u>

**9. LONG TERM INVESTMENTS IN ASSOCIATES**

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

	Note	June 30, 2018	June 30, 2017	July 1, 2016
-----Rupees '000-----				
Security Papers Limited	9.1	1,741,299	1,624,763	1,557,788
SICPA Inks Pakistan (Private) Limited	9.2	604,285	509,827	430,244
		<u>2,345,584</u>	<u>2,134,590</u>	<u>1,988,032</u>
<b>9.1 Security Papers Limited</b>				
<b>Ownership interest</b>		<u>40.03%</u>	<u>40.03%</u>	<u>40.03%</u>
Cost		5,032	5,032	5,032
Share of post acquisition after tax profits	9.3 & 9.4	2,978,687	2,608,621	2,306,785
Share in after tax other comprehensive income	9.4	(127,798)	(64,042)	(7,094)
Effect of restatement on other comprehensive income		7,970	7,970	7,970
Dividend received		(1,122,592)	(932,818)	(754,905)
		<u>1,741,299</u>	<u>1,624,763</u>	<u>1,557,788</u>
<b>9.2 SICPA Inks Pakistan (Private) Limited</b>				
<b>Ownership interest</b>		<u>47.00%</u>	<u>47.00%</u>	<u>47.00%</u>
Cost		26,790	26,790	26,790
Share of post acquisition after tax profits	9.6	1,744,296	1,422,945	1,162,328
Effect of restatement on after tax profits		375	375	375
Share in after tax other comprehensive income	9.6	(1,147)	(2,666)	(3,375)
Effect of restatement on other comprehensive income		(528)	(528)	(528)
Dividend received	9.7	(1,165,501)	(937,089)	(755,346)
		<u>604,285</u>	<u>509,827</u>	<u>430,244</u>
<b>9.3 The movement in share of post acquisition after tax profit for Security Papers Limited (SPL) is as follows:</b>				
	Note	June 30, 2018	June 30, 2017	July 1, 2016
-----Rupees '000-----				
Opening balance		2,608,621	2,306,785	2,111,737
Share of after tax profit from associate for the year ended June 30	9.4	295,587	375,342	252,537
Unrealised loss / (gain) on transactions	9.5	74,479	(73,506)	(57,489)
		<u>370,066</u>	<u>301,836</u>	<u>195,048</u>
Closing balance		<u>2,978,687</u>	<u>2,608,621</u>	<u>2,306,785</u>

9.4 These amounts are based on audited annual financial statements of SPL as at and for the year ended June 30, 2018.

- 9.5 This represents the effect of elimination of unrealised gain on transactions between the associate i.e. SPL and the Corporation to the extent of its interest in the associate (40.03%).
- 9.6 These amounts are based on annual audited financial statements of SICPA Inks Pakistan (Private) Limited (SICPA) as at and for the year ended December 31, 2017 which have been adjusted using the unaudited interim financial information for the three months periods ended March 31, 2017 and 2018.
- 9.7 During the year ended June 30, 2018, the Corporation received dividend from SICPA subsequent to March 31, 2018 (being the date of the associate's financial information used for recording share of profit from associate) amounting to Rs 43.534 million (2017: Rs 181.743 million) which has been adjusted in the carrying value of investment in associate as at June 30, 2018.
- 9.8 Summarised financial statements of the associates are as follows:

	Security Papers Limited (audited)			SICPA Inks Pakistan (Private) Limited (unaudited)		
	June 30, 2018	June 30, 2017	June 30, 2016	March 31, 2018	March 31, 2017	March 31, 2016
	-----Rupees '000-----					
Assets	5,891,505	5,679,207	5,272,613	2,152,650	1,982,402	1,562,288
Liabilities	1,185,954	1,078,750	1,023,124	774,307	510,972	362,497
	-----Rupees '000-----					
	Year ended June 30,			Year ended March 31,		
	2018	2017	2016	2018	2017	2016
	-----Rupees '000-----					
Revenue	3,466,918	2,842,085	2,583,566	3,469,552	2,519,454	1,910,764
Profit after tax	738,412	937,653	630,871	683,726	554,503	397,318
Other comprehensive (loss) / income	(159,270)	(142,265)	(46,016)	3,231	1,509	(4,057)

- 9.9 The market value of SPL as at June 30, 2018 is Rs 121.02 per share (2017: Rs 145.95 per share) i.e. an aggregate amount of Rs 2,870.805 million (2017: Rs 3,462.188 million). The breakup value based on net assets of SICPA as per latest unaudited financial statements as on March 31, 2018 is Rs 241.81 per share (March 31, 2017: Rs 258.150 per share) i.e. an aggregate amount of Rs 647.821 million (March 31, 2017: Rs 691.572 million).
- 9.10 The investments in associated companies or undertakings have been made in accordance with the requirements under the Act.

**10. OTHER LONG TERM INVESTMENTS**

	Note	June 30, 2018	June 30, 2017	July 1, 2016
-----Rupees '000-----				
Available-for-sale - Al Hamra Islamic Stock Fund	10.1	23,904	27,164	21,197
Held-to-maturity - Pakistan Investment Bonds		-	99,955	298,930
Less: Current maturity		-	(99,955)	(199,932)
		-	-	98,998
		23,904	27,164	120,195

10.1 Available-for-sale investment include:

June 30, 2018	June 30, 2017	July 1, 2016	Name of investee	June 30, 2018	June 30, 2017	July 1, 2016
----- Number of units -----				-----Rupees '000-----		
2,217,429	2,217,429	1,995,981	Al Hamra Islamic Stock Fund	23,904	27,164	21,197

This represents available-for-sale investment at fair value with Al Hamra Islamic Stock Fund having cost of Rs 10 million (2017: Rs 10 million).

**11. LONG TERM LOANS**

	June 30, 2018	June 30, 2017	July 1, 2016
-----Rupees '000-----			
Long term loans to employees	92,626	106,818	68,111
Less: Current maturity	(10,539)	(10,650)	(6,485)
	82,087	96,168	61,626

11.1 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.

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

**12. LONG TERM DEPOSITS**

	Note	June 30, 2018	June 30, 2017	July 1, 2016
-----Rupees '000-----				
<b>Considered good</b>				
Security deposits	12.1	11,041	7,766	7,180
Lease deposits		5,758	3,697	4,623
Others		1,373	1,373	1,373
		18,172	12,836	13,176

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

### 13. DEFERRED TAXATION

	June 30, 2018	June 30, 2017	July 1, 2016
-----Rupees '000-----			
<b>Deductible temporary differences</b>			
Property, plant and equipment	12,823	467	30,844
Stores and spares	7,911	8,176	12,770
Stock-in-trade	12,969	15,321	19,244
Trade debts	39	-	100,154
Loans and advances	1,389	1,667	1,722
Short term investments	1,476	-	-
Other receivables	7,372	8,846	9,141
Liabilities under finance lease	9,383	5,053	7,721
Deferred liabilities - pension payable	692,911	626,542	771,156
	<u>746,273</u>	<u>666,072</u>	<u>952,752</u>
<b>Taxable temporary differences</b>			
Long term investment in associates	(347,064)	(262,849)	(244,526)
Short term investments	-	(22,782)	(14,625)
Surplus on revaluation of property, plant and equipment - net	(155,210)	(187,168)	-
	<u>(502,274)</u>	<u>(472,799)</u>	<u>(259,151)</u>
Deferred taxation asset	<u>243,999</u>	<u>193,273</u>	<u>693,601</u>

- 13.1 The movement in temporary differences is as follows:

	Balance as at July 1, 2017	Recognised in profit or loss	Recognised in OCI	Balance as at June 30, 2018
-----Rupees '000-----				
Property, plant and equipment	467	12,356	-	12,823
Stores and spares	8,176	(265)	-	7,911
Stock-in-trade	15,321	(2,352)	-	12,969
Trade debts	-	39	-	39
Loans and advances	1,667	(278)	-	1,389
Short term investments	(22,782)	24,258	-	1,476
Other receivables	8,846	(1,474)	-	7,372
Liabilities under finance lease	5,053	4,330	-	9,383
Deferred liabilities - pension payable	626,542	(104,425)	170,794	692,911
Revaluation surplus on property plant and equipment	(187,168)	31,958	-	(155,210)
Long term investment in associates	(262,849)	(93,849)	9,634	(347,064)
	<u>193,273</u>	<u>(129,702)</u>	<u>180,428</u>	<u>243,999</u>

**14. STORES AND SPARES**

	Note	June 30, 2018	June 30, 2017	July 1, 2016
-----Rupees '000-----				
Engineering spares				
- in hand		188,752	187,213	234,672
- in transit		28,494	3,057	22,896
		<u>217,246</u>	<u>190,270</u>	<u>257,568</u>
General stores				
- in hand		83,608	84,083	114,218
- in transit		23,831	1,506	2,974
		<u>107,439</u>	<u>85,589</u>	<u>117,192</u>
		<u>324,685</u>	<u>275,859</u>	<u>374,760</u>
Provision for slow moving stores and spares	14.1	(31,644)	(27,251)	(41,193)
		<u>293,041</u>	<u>248,608</u>	<u>333,567</u>

**14.1 Provision for slow moving stores and spares**

Opening balance		27,251	41,193	36,975
Provision made during the year		7,491	8,567	5,748
Provision no longer required written back		(3,419)	(4,310)	(1,530)
Provision transferred from / (to) NSPC		321	(18,199)	-
		<u>4,393</u>	<u>(13,942)</u>	<u>4,218</u>
Closing balance		<u>31,644</u>	<u>27,251</u>	<u>41,193</u>

**15. STOCK-IN-TRADE**

Raw materials				
- in hand		1,009,187	1,139,816	1,485,934
- in transit		15,893	4,654	50,999
		<u>1,025,080</u>	<u>1,144,470</u>	<u>1,536,933</u>
Work-in-process		1,344,144	746,330	952,508
Finished goods		4,359	234,216	88,132
		<u>2,373,583</u>	<u>2,125,016</u>	<u>2,577,573</u>
Provision for slow moving and obsolete stock-in-trade	15.1	(51,878)	(51,069)	(62,074)
		<u>2,321,705</u>	<u>2,073,947</u>	<u>2,515,499</u>

**15.1 Provision for slow moving and obsolete stock-in-trade**

Opening balance		51,069	62,074	64,852
Provision made during the year		809	3,626	2,185
Provision no longer required written back		-	(4,138)	(4,963)
Write off against provision		-	(2,224)	-
Provision transferred to NSPC		-	(8,269)	-
		<u>809</u>	<u>(11,005)</u>	<u>(2,778)</u>
Closing balance		<u>51,878</u>	<u>51,069</u>	<u>62,074</u>

**16. TRADE DEBTS**

	Note	June 30, 2018	June 30, 2017	July 1, 2016			
-----Rupees '000-----							
<b>Unsecured</b>							
Considered good							
- Due from related party - State Bank of Pakistan	16.2	1,357,094	1,702,777	2,462,883			
- Due from others		-	-	30,201			
		<u>1,357,094</u>	<u>1,702,777</u>	<u>2,493,084</u>			
Considered doubtful							
- Due from related party - State Bank of Pakistan		157	-	322,669			
- Due from others		-	-	408			
		<u>157</u>	<u>-</u>	<u>323,077</u>			
		1,357,251	1,702,777	2,816,161			
Less: Provision for doubtful debts	16.1	(157)	-	(323,077)			
		<u>1,357,094</u>	<u>1,702,777</u>	<u>2,493,084</u>			
16.1	Provision for doubtful debts						
	Opening balance	-	323,077	74,639			
	Provision made during the year	157	493,794	1,095,534			
	Provision no longer required written back	-	(458,632)	(847,096)			
		<u>157</u>	<u>35,162</u>	<u>248,438</u>			
	Provision transferred to NSPC	-	(358,239)	-			
	Closing balance	<u>157</u>	<u>-</u>	<u>323,077</u>			
16.2	Ageing analysis of the amounts due from related parties is as follows:						
		<b>Upto 1 month</b>	<b>1 to 6 months</b>	<b>More than 6</b>	<b>As at June 30, 2018</b>	<b>As at June 30, 2017</b>	<b>As at June 30, 2016</b>
-----Rupees '000-----							
	State Bank of Pakistan	1,354,769	2,325	-	1,357,094	1,702,777	866,409
16.2.1	The Corporation does not consider balance aged upto one month as 'past due'.						
16.3	As at June 30, 2018, trade debts outstanding for more than one year amounted to Rs 0.157 million (2017: Rs Nil) were impaired.						
16.4	Receivable from State Bank of Pakistan (SBP) is pledged as security against running finance facility obtained by the Corporation from Bank Al-Habib Limited (note 38). The related No Objection Certificate has been obtained from SBP vide SBP's letter number CMD/211/2-2011 dated March 2, 2011.						
16.5	The maximum amount of receivable due from related party - State Bank of Pakistan at the end of any month during the year was Rs 2,581.520 million (2017: Rs 1,702.777 million).						

**17. LOANS AND ADVANCES**

	June 30, 2018	June 30, 2017	July 1, 2016
-----Rupees '000-----			
<b>Advances - Considered good</b>			
Suppliers	17,797	15,177	11,991
Employees	704	954	1,031
	<u>18,501</u>	<u>16,131</u>	<u>13,022</u>
<b>Loans - Considered good</b>			
Employees	10,539	10,650	6,485
<b>Advances - Considered doubtful</b>			
Suppliers	5,556	5,556	5,556
Less: Provision for doubtful balances	(5,556)	(5,556)	(5,556)
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>29,040</u>	<u>26,781</u>	<u>19,507</u>

	Note	June 30, 2018	June 30, 2017	July 1, 2016
-----Rupees '000-----				
<b>18. TRADE DEPOSITS AND PREPAYMENTS</b>				
Deposits with excise and custom authorities		1,044	1,044	1,044
Margin against letter of credit		-	-	8,237
Deposits with Pakistan National Shipping Corporation (PNSC)		-	-	200
Other deposits		-	-	421
		<u>1,044</u>	<u>1,044</u>	<u>9,902</u>
Short-term prepayments		<u>8,777</u>	<u>3,777</u>	<u>4,071</u>
		<u>9,821</u>	<u>4,821</u>	<u>13,973</u>
<b>19. OTHER RECEIVABLES</b>				
<b>Considered good</b>				
Advance sales tax		9,444	-	22,275
Receivable on behalf of NSPC	19.1	-	1,733,816	-
Workers' profits participation fund	19.2	3,102	8,260	-
Insurance claim		182	113	123
Others		32,369	1,847	988
		<u>45,097</u>	<u>1,744,036</u>	<u>23,386</u>
<b>Considered doubtful</b>				
Sales tax recoverable				
- On sale of assets to SICPA Inks Pakistan (Private) Limited		26,529	26,529	26,529
- Others		2,959	2,959	2,959
		<u>29,488</u>	<u>29,488</u>	<u>29,488</u>
		<u>74,585</u>	<u>1,773,524</u>	<u>52,874</u>
Less: Provision for doubtful balances		<u>(29,488)</u>	<u>(29,488)</u>	<u>(29,488)</u>
		<u>45,097</u>	<u>1,744,036</u>	<u>23,386</u>
19.1	This represented amount which was to be collected on behalf of NSPC on no-charge basis in accordance with the common facilities agreement dated May 19, 2017. The related payable has been separately recognised on the statement of financial position.			
	Note	June 30, 2018	June 30, 2017	July 1, 2016
-----Rupees '000-----				
19.2	Workers' profits participation fund			
(Asset) / liability at the beginning of the year		(8,260)	22,728	9,831
Allocation for the year	19.2.1	116,898	141,740	132,728
		<u>108,638</u>	<u>164,468</u>	<u>142,559</u>
Payments made during the year		(111,740)	(172,728)	(119,831)
(Receivable) / payable at the end of the year		<u>(3,102)</u>	<u>(8,260)</u>	<u>22,728</u>
19.2.1	Allocation for the year includes Rs Nil million (2017: Rs 48.878 million) pertaining to the discontinued operations.			
<b>20. SHORT TERM INVESTMENTS</b>				
	Note	June 30, 2018	June 30, 2017	July 1, 2016
-----Rupees '000-----				
Loans and receivables - Term deposit receipts Designated as at fair value through profit or loss - Investments in Mutual funds	20.1	6,122,000	6,122,000	4,822,000
	20.2 & 20.3	<u>1,328,263</u>	<u>1,582,086</u>	<u>1,265,047</u>
		<u>7,450,263</u>	<u>7,704,086</u>	<u>6,087,047</u>
20.1	These represent term deposit receipts maturing upto 12 months with various banks bearing mark-up ranging from 5.35% to 7% (2017: 5.6% to 6.15%) per annum. Term deposit receipt of Rs 22 million (2017: Rs 22 million) with Faysal Bank Limited is marked under lien against bank guarantee (note 27.1.3).			

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

June 30, 2018	June 30, 2017	July 1, 2016	Name of investee	June 30, 2018	June 30, 2017	July 1, 2016
----- Number of units -----				-----Rupees '000-----		
666,328	666,328	633,652	MCB Cash Management Optimizer Fund	70,587	66,978	63,579
6,758,035	6,758,035	6,385,120	Meezan Islamic Fund	428,019	516,381	422,759
669,794	669,794	640,442	MCB DCF Income Fund	74,565	71,286	67,915
6,168,107	6,168,107	6,011,758	ABL Islamic Stock Fund	89,787	106,798	81,706
115,695	115,695	110,732	Atlas Money Market Fund	61,241	58,063	55,488
7,571,877	7,538,791	7,028,702	NAFA Islamic Asset Allocation Fund	117,461	128,778	107,548
17,735,243	17,691,631	4,370,591	NAFA Islamic Stock Fund	202,134	231,840	50,000
1,372	-	-	NAFA Money Market Fund	14	-	-
417,331	417,331	388,712	Al-Ameen Shariah Stock Fund	56,039	63,960	49,984
-	1,229,420	1,201,932	MFPF-Meezan Asset Allocation Plan II	-	76,064	64,940
2,602,512	2,602,512	-	MSAF Meezan Strategic Allocation Plan I	114,551	131,323	-
2,645,091	2,645,091	-	MSAF Meezan Strategic Allocation Plan II	113,865	130,615	-
-	-	550,287	NAFA Islamic Principal Protected Fund II	-	-	61,740
-	-	2,000,000	Meezan Capital Preservation Fund II	-	-	122,760
-	-	2,096,103	MFPF Meezan Capital Preservation Plan I	-	-	116,628
<u>45,351,385</u>	<u>46,502,735</u>	<u>31,418,031</u>		<u>1,328,263</u>	<u>1,582,086</u>	<u>1,265,047</u>

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

## 21. CASH AND BANK BALANCES

	Note	June 30, 2018	June 30, 2017	July 1, 2016
		-----Rupees '000-----		
With banks in current accounts				
- remunerative	21.1	542,370	1,231,312	1,737,017
- non-remunerative		20,209	38,103	20,030
		<u>562,579</u>	<u>1,269,415</u>	<u>1,757,047</u>
Cash in hand		15,745	6,496	30,520
		<u>578,324</u>	<u>1,275,911</u>	<u>1,787,567</u>

21.1 These accounts carry mark-up ranging from 4.50% to 6.25% (2017: 3.75% to 6.20%) per annum.

## 22. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

June 30, 2018	June 30, 2017	July 1, 2016		June 30, 2018	June 30, 2017	July 1, 2016
----- (No. of Shares) -----				-----Rupees '000-----		
529,237	529,237	529,237	Ordinary shares of Rs 1,000 each fully paid in cash	529,237	529,237	529,237
1,999	1,999	1,999	Ordinary shares of Rs 1,000 each issued as fully paid for consideration other than cash	1,999	1,999	1,999
468,764	468,764	468,764	Ordinary shares of Rs 1,000 each issued as fully paid bonus shares	468,764	468,764	468,764
<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>		<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

22.1 As at June 30, 2018, the ordinary shares of Rs 1,000 each were held by State Bank of Pakistan (the parent company).

	Note	June 30, 2018	June 30, 2017	July 1, 2016
<b>23. RESERVES</b>		-----Rupees '000-----		
Surplus on revaluation of property plant and equipment - net	23.2	51,503,347	51,505,483	-
<b>Other reserves</b>				
- (Deficit) / Surplus on revaluation of investments		(82,462)	(24,609)	20,964
- Asset acquisition reserve		7,500,000	5,500,000	3,800,000
- General reserve		1,630,950	888,082	5,996,048
- Accumulated (loss) / profit		(1,189,890)	2,018	1,349,596
		7,858,598	6,365,491	11,166,608
		<u>59,361,945</u>	<u>57,870,974</u>	<u>11,166,608</u>

23.1 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, 2018	June 30, 2017
	-----Rupees '000-----	
<b>23.2 SURPLUS ON REVALUATION OF PROPERTY PLANT AND EQUIPMENT - NET</b>		
As at July 1		
- Freehold land	51,068,759	-
- Buildings on freehold land	623,892	-
	<u>51,692,651</u>	<u>-</u>
Surplus on revaluation of:		
- Freehold land	-	51,068,759
- Buildings on freehold land	-	624,670
	-	<u>51,693,429</u>
Less: Transferred to accumulated loss / profit		
Surplus relating to incremental depreciation charged during the year - net of deferred tax	(2,136)	(545)
Related deferred tax	(916)	(233)
	<u>(3,052)</u>	<u>(778)</u>
	<u>51,689,599</u>	<u>51,692,651</u>
Less: Related deferred tax liability:		
As at July 1	(187,168)	-
On surplus arising on property, plant and equipment during the year	-	(187,401)
Incremental depreciation charged during the year on related assets transferred to profit or loss	916	233
Deferred tax liability recognised on surplus	(186,252)	(187,168)
	<u>51,503,347</u>	<u>51,505,483</u>

**24. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES**

	June 30, 2018			June 30, 2017			July 1, 2016		
	Minimum lease payments	Financial charges	Present value of minimum lease payments	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	11,302	1,916	9,386	5,890	730	5,160	9,141	1,230	7,911
Later than one year and not later than five years	29,516	1,371	28,145	13,347	1,673	11,674	18,890	1,327	17,563
	<u>40,818</u>	<u>3,287</u>	<u>37,531</u>	<u>19,237</u>	<u>2,403</u>	<u>16,834</u>	<u>28,031</u>	<u>2,557</u>	<u>25,474</u>
Less: shown in current maturity			(9,386)			(5,160)			(7,911)
Long term portion			<u>28,145</u>			<u>11,674</u>			<u>17,563</u>

24.1 The above represents finance leases entered into to procure the Corporation's vehicles. The financing rate used as discounting factor ranges from 6.17% to 7.19% (2017: 6.34% to 7.99%). The Corporation intends to exercise its option to purchase the leased assets on completion of the respective lease periods. The liabilities against assets subject to finance lease are secured by the lessor's charge over the leased assets. The cost of operating and maintaining the leased assets are borne by the Corporation.

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

	<b>June 30, 2018</b>
	<b>(Rupees in '000)</b>
Opening balance as at July 1	16,834
Financial charges on lease	1,845
Finance lease obtained during the year	30,317
Lease discontinued	(1,196)
Lease rental paid	(10,269)
Closing balance as at June 30	<u>37,531</u>

<b>25. DEFERRED LIABILITIES</b>	<b>Note</b>	<b>June 30,</b>	<b>June 30,</b>	<b>July 1, 2016</b>
		<b>2018</b>	<b>2017</b>	
		-----Rupees '000-----		
Defined benefit plan (staff pension scheme) - funded	25.3	<u>4,098,377</u>	<u>3,146,267</u>	<u>3,622,195</u>

25.1 As stated in note 3.19 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, 2018. The disclosures made in notes 25.2 to 25.15 are based on the information included in that actuarial report.

25.2 The projected unit credit method using the following significant assumptions was used for this valuation:				
		June 30, 2018	June 30, 2017	July 1, 2016
- Discount rate - per annum		10.00% p.a	9.25% p.a	9.0% p.a
- Expected rate of increase in salaries - annual		10.00% p.a	9.25% p.a	9.0% p.a
- Expected rate of increase in monthly pension		6.00% p.a	5.25% p.a	5.0% p.a
- Pre-Retirement Mortality		SLIC 2001- 2005	SLIC 2001- 2005	SLIC 2001- 2005
- Post-Retirement Mortality		SLIC 2001- 2005	SLIC 2001- 2005	SLIC 2001- 2005
25.3 Reconciliation of statement of financial position:				
	Note	June 30, 2018	June 30, 2017	July 1, 2016
-----Rupees '000-----				
Present value of defined benefit obligation	25.4	5,788,238	4,957,302	6,005,357
Fair value of plan assets	25.5	(1,689,861)	(1,811,035)	(2,383,162)
Net liability in the statement of financial position		<u>4,098,377</u>	<u>3,146,267</u>	<u>3,622,195</u>
25.4 Present value of defined benefit obligation				
as at July 1, 2017/ 2016		4,957,302	6,005,357	4,927,211
Less: Discontinued operations		-	(1,674,196)	-
Employees transferred to NSPC		-	124,014	-
Current service cost		58,305	57,250	133,138
Interest cost		448,191	495,342	506,198
Benefits paid		(223,980)	(276,492)	(212,555)
Past service cost		-	-	246,438
Remeasurement loss on obligation		548,420	226,027	404,927
Present value as at June 30		<u>5,788,238</u>	<u>4,957,302</u>	<u>6,005,357</u>
25.5 Movement in fair value of plan assets				
Fair value as at July 1, 2017 / 2016		1,811,035	2,383,162	2,383,449
Less: Discontinued operations	25.5.1	-	(635,706)	-
Employees transferred from NSPC		-	57,934	-
Expected return on plan assets		160,716	192,810	243,542
Corporation's contributions		76,844	83,163	84,558
Benefits paid		(223,980)	(276,492)	(212,555)
Remeasurement (loss) / gain on fair value of plan assets		(134,754)	6,164	(115,832)
Fair value as at June 30		<u>1,689,861</u>	<u>1,811,035</u>	<u>2,383,162</u>
25.5.1 These plan assets are still in the name of the Corporation and are being held for and on behalf of NSPC in accordance with the common facilities and cost sharing agreement dated May 19, 2017.				
	Note	June 30, 2018	June 30, 2017	July 1, 2016
-----Rupees '000-----				
25.6 Movement in net liability in the statement of financial position is as follows:				
Opening balance of net liability		3,146,267	3,622,195	2,543,762
Less: Discontinued operations		-	(1,038,490)	-
Employees transferred from NSPC		-	66,080	-
Charge for the year	25.8	345,780	359,782	642,232
Corporation's contributions		(76,844)	(83,163)	(84,558)
Net remeasurement loss for the year	25.10	683,174	219,863	520,759
Closing balance of net liability		<u>4,098,377</u>	<u>3,146,267</u>	<u>3,622,195</u>
25.7 Charge for the year has been allocated as under:				
Cost of sales:				
- Continuing operations	28.1	267,542	222,816	366,897
- Discontinued operations		-	53,346	135,701
		<u>267,542</u>	<u>276,162</u>	<u>502,598</u>
Administrative expenses:				
- Continuing operations	29.1	78,238	67,467	101,933
- Discontinued operations		-	16,153	37,701
		<u>78,238</u>	<u>83,620</u>	<u>139,634</u>
		<u>345,780</u>	<u>359,782</u>	<u>642,232</u>

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

	June 30, 2018	June 30, 2017	July 1, 2016
-----Rupees '000-----			
Current service cost:			
Continuing operations	58,305	46,191	97,191
Discontinued operations	-	11,059	35,947
	<u>58,305</u>	<u>57,250</u>	<u>133,138</u>
Past service cost:			
Continuing operations	-	-	179,900
Discontinued operations	-	-	66,538
	-	-	<u>246,438</u>
Net interest cost:			
Continuing operations	287,475	244,093	191,739
Discontinued operations	-	58,439	70,917
	<u>287,475</u>	<u>302,532</u>	<u>262,656</u>
	<u><u>345,780</u></u>	<u><u>359,782</u></u>	<u><u>642,232</u></u>

25.9 Actual return on plan assets

Expected return on plan assets:			
- Continuing operations	160,716	155,564	177,786
- Discontinued operations	-	37,246	65,756
	<u>160,716</u>	<u>192,810</u>	<u>243,542</u>
Remeasurement (loss) / gain on fair value of plan assets:			
- Continuing operations	(134,754)	4,973	(84,557)
- Discontinued operations	-	1,191	(31,275)
	<u>(134,754)</u>	<u>6,164</u>	<u>(115,832)</u>
Actual return on plan assets	<u><u>25,962</u></u>	<u><u>198,974</u></u>	<u><u>127,710</u></u>

25.10 Remeasurement recognised in other comprehensive income

Remeasurement loss on defined benefit obligation:			
Continuing operations	548,420	182,365	295,597
Discontinued operations	-	43,662	109,330
	<u>548,420</u>	<u>226,027</u>	<u>404,927</u>
Remeasurement loss / (gain) on fair value of plan assets:			
Continuing operations	134,754	(4,973)	84,557
Discontinued operations	-	(1,191)	31,275
	<u>134,754</u>	<u>(6,164)</u>	<u>115,832</u>
	<u><u>683,174</u></u>	<u><u>219,863</u></u>	<u><u>520,759</u></u>

25.11 Plan assets comprise of the following:

	June 30, 2018		June 30, 2017		July 1, 2016	
	(Rs in '000)	Percentage %	(Rs in '000)	Percentage %	(Rs in '000)	Percentage %
Equity instruments	582,186	26.12	721,954	30.22	601,734	25.25
Debt instruments	700,260	31.41	679,101	28.42	1,309,386	54.94
Cash and cash equivalents	946,867	42.47	988,115	41.36	472,042	19.81
Investment in Listed Securities						
Others (PIBs, TFCs and TBills)						
	<u>2,229,313</u>	<u>100.00</u>	<u>2,389,170</u>	<u>100.00</u>	<u>2,383,162</u>	<u>100.00</u>
Less: Pertaining to NSPC	539,452		578,135		-	
	<u><u>1,689,861</u></u>		<u><u>1,811,035</u></u>		<u><u>2,383,162</u></u>	

25.12 Expected charge to profit or loss in respect of post employment benefit plan for the year ending June 30, 2019 is Rs 474.235 million (2018: Rs 285.669 million).

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

	<b>Impact on defined benefit obligation</b>		
	Change in assumptions	Increase in assumption	Decrease in assumption
	-----Rupees '000-----		
Discount rate	1%	(614,172)	746,291
Salary growth rate	1%	207,563	(191,040)
Pension indexation rate	1%	553,893	(470,382)

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

25.15 The weighted average duration of the defined benefit obligation is 13 years.

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

*Asset volatility*

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

*Inflation risk*

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

*Life expectancy / withdrawal rate*

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

26.	TRADE AND OTHER PAYABLES	Note	June 30,	June 30,	July 1,
			2018	2017	2016
			-----Rupees '000-----		
	Creditors				
	- Payable to associates	26.1	1,011,322	636,331	650,119
	- Payable to others		24,412	23,046	18,956
	- Payable to SBP		41,432	941	-
	Bills payable		2,291	4,655	18,492
	Accrued liabilities	26.2	640,359	494,063	608,750
	Advances from customers of NSPC		-	273,378	290,281
	Advance from SBP	26.3	159,490	594,877	9,199
	Sales tax payable		-	38,343	-
	Workers' profits participation fund	19.2	-	-	22,728
	Deposits and retention money		18,443	17,955	18,020
	Advance rent and security deposits	26.4	1,817	1,721	1,655
	Others		149,575	123,225	94,536
			<u>2,049,141</u>	<u>2,208,535</u>	<u>1,732,736</u>
26.1	Payable to associates				
	Security Papers Limited		488,688	421,290	301,976
	SICPA Inks Pakistan (Private) Limited		522,634	215,041	348,143
			<u>1,011,322</u>	<u>636,331</u>	<u>650,119</u>

- 26.1.1 Payable to associates includes Rs Nil (2017: Rs 3.173 million) payable in respect of procurements made on behalf of NSPC for its production activities.
- 26.2 This amount includes Rs Nil (2017: Rs 8.511 million) payable in respect of bonus and leave encashment for employees of NSPC.
- 26.3 This represents advance from SBP for the production of prize bonds.
- 26.4 This includes amount received as security deposit from Samba Bank Limited against rent of a premises. This amount has not been kept in a separate bank account and is utilisable for the purpose of the Corporation's business.

## **27. CONTINGENCIES AND COMMITMENTS**

### **27.1 Contingencies**

- 27.1.1 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.
- 27.1.2 In the previous years the tax authorities initiated proceedings for amendment of deemed assessments for tax years 2004 to 2009 by issuing notices under sections 122 (5A) read with 122(9) of the Income Tax Ordinance, 2001. The amended orders were passed and certain demands were raised for which the Corporation subsequently filed rectification application as a result of which the demands were rectified to Rs 34.9 million. The Corporation, having paid the aforesaid net demand of Rs 34.9 million, had filed appeals before the Commissioner of Inland Revenue - Appeals {CIR(A)} which were decided against the Corporation. The Corporation, further filed appeal before the Appellate Tribunal Inland Revenue (ATIR) which vide order dated June 29, 2015 partially upheld the action of the Additional Commissioner Inland Revenue for amending the aforesaid assessments.

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

- 27.1.3 Outstanding letters of guarantee amounted to Rs 22 million (2017: Rs 22 million).

### **27.2 Commitments**

- 27.2.1 Capital commitments at the year end amounted to Rs 16.293 million (2017: Rs 15.368 million).
- 27.2.2 Letters of credit for raw material and stores and spares outstanding at the year end amounted to Rs 1,595.255 million (2017: Rs 11.031 million).

	Note	June 30, 2018	June 30, 2017
-----Rupees '000-----			
<b>28. COST OF SALES</b>			
<b>Raw material</b>			
Opening stock		1,144,470	925,631
Purchases including in transit		7,787,202	5,729,701
Closing stock		(1,025,080)	(1,144,470)
		7,906,592	5,510,862
Salaries, wages and benefits	28.1	1,226,762	1,154,751
Stores and spares		344,812	255,820
Fuel and power		98,820	108,829
Insurance		6,497	8,641
Transportation		1,617	1,420
Rent, rates and taxes		27,048	18,909
Depreciation	6.2	72,378	98,771
Provision for obsolete stores and spares - net		4,072	5,458
Provision for slow moving and obsolete stock-in-trade - net		809	3,383
Repairs and maintenance		40,680	55,506
Amortisation	8.2	88	109
		1,823,583	1,711,597
Manufacturing cost		9,730,175	7,222,459
Opening work-in-process	15	746,330	821,126
Closing work-in-process		(1,344,144)	(746,330)
		(597,814)	74,796
Cost of goods manufactured		9,132,361	7,297,255
Opening stock of finished goods	15	234,216	43,527
Closing stock of finished goods		(4,359)	(234,216)
		229,857	(190,689)
		9,362,218	7,106,566

28.1 Salaries, wages and benefits include Rs 267.542 million (2017: Rs 222.816 million) in respect of staff pension.

**29. ADMINISTRATIVE EXPENSES**

	Note	June 30, 2018	June 30, 2017
-----Rupees '000-----			
Salaries, wages and benefits	29.1	394,787	353,513
Directors' meeting fee and expenses		1,172	5,409
Fuel and power		23,946	16,662
Insurance		2,124	1,695
Travelling and entertainment		19,826	8,090
Depreciation	6.2	28,838	24,637
Amortisation	8.2	2	36
Security charges		81,361	74,418
Repairs and maintenance		14,817	11,605
Communication		2,652	2,603
Legal and professional charges		1,603	750
Advertisements		7,691	8,132
Printing and stationery		247	300
Operating lease rentals		1,998	113
Provision for doubtful debts - net		157	-
Others		10,197	7,196
		<u>591,418</u>	<u>515,159</u>

29.1 Salaries, wages and benefits include Rs 78.238 million (2017: Rs 67.467 million) in respect of staff pension.

**30. OTHER EXPENSES**

	Note	June 30, 2018	June 30, 2017
-----Rupees '000-----			
Auditors' remuneration	30.1	2,148	17,502
Exchange loss - net		2,293	106
Workers' profit participation fund	19.2	116,898	92,862
Loss on sale of investments		9,808	-
Loss on remeasurement of short term investments		87,195	-
Others		100	134
		<u>218,442</u>	<u>110,604</u>
30.1 Auditors' remuneration			
Audit fee		770	770
Fee for half yearly review		137	137
Other services	30.1.1	1,046	16,400
		<u>1,953</u>	<u>17,307</u>
Out of pocket expense		195	195
		<u>2,148</u>	<u>17,502</u>

30.1.1 These include fee in respect of audit of special purpose financial statements of the Corporation prepared for consolidation purpose at the parent company level.

**31. OTHER INCOME**

	Note	June 30, 2018	June 30, 2017
-----Rupees '000-----			
<b>Income from financial assets</b>			
Gain on remeasurement of short term investments		-	226,328
Return on investment in Pakistan Investment Bonds		507	11,675
Gain on sale of investments		-	22,805
Mark-up on bank deposits	31.1	346,620	376,041
Bonus / dividend income		-	20,130
Service charges on long term loans	11	3,013	1,886
		350,140	658,865
<b>Income from non financial assets</b>			
<b>- related parties</b>			
Rental income from associate		9,453	8,380
- SICPA Inks Pakistan (Private) Limited			
Service charges recovered from associate		335	340
- Security Papers Limited			
		9,788	8,720
<b>- others</b>			
Rental income - other		9,705	8,585
Scrap sales		4,045	5,145
Gain on disposal of operating fixed assets		2,655	1,361
Miscellaneous income		649	3,822
		17,054	18,913
		376,982	686,498

31.1 These amounts have been netted off against share of other income aggregating Rs 19.728 million (2017: Rs 30.960 million) relating to NSPC.

	Note	June 30, 2018	June 30, 2017
-----Rupees '000-----			
<b>32. FINANCE COST</b>			
Financial charges on liabilities against assets subject to finance lease		1,845	1,143
Bank charges		1,428	772
		3,273	1,915
<b>33. SHARE OF PROFIT FROM ASSOCIATES</b>			
Security Papers Limited	9.3	370,066	301,836
SICPA Inks Pakistan (Private) Limited	9.2	321,351	260,617
		691,417	562,453

	Note	June 30, 2018	June 30, 2017
-----Rupees '000-----			
<b>34. TAXATION</b>			
Current - for the year		905,828	787,111
- prior year		12,585	11,997
		<u>918,413</u>	<u>799,108</u>
Deferred		129,702	146,853
		<u>1,048,115</u>	<u>945,961</u>
<b>34.1 Relationship between tax expense and accounting profit</b>			
		<b>June 30, 2018</b>	<b>June 30, 2017</b>
-----Rupees '000-----			
Profit before taxation form continuing operations		3,107,329	2,990,899
Profit before taxation form discontinued operations		-	929,540
Profit before taxation		<u>3,107,329</u>	<u>3,920,439</u>
Tax applicable at the rate of 30% (2017: 31%)		932,199	1,215,336
Difference in effective tax rate of equity-accounted investees		(60,482)	(103,719)
Tax effect of income taxed at lower rates		1,901	(27,148)
Tax credits		(316)	(43,262)
Tax effect of change in tax rate for next year		74,729	18,732
Tax effects of notional expenses allowed on rental income		(582)	(532)
Super tax		88,081	106,167
		<u>1,035,530</u>	<u>1,165,574</u>
Prior year tax effect		12,585	11,997
		<u>1,048,115</u>	<u>1,177,571</u>
<b>34.1.1 Tax from continuing operations</b>		1,048,115	945,961
Tax from discontinued operations	35	-	231,610
		<u>1,048,115</u>	<u>1,177,571</u>

**35. DISCONTINUED OPERATIONS**

During the year ended June 30, 2017, in accordance with the decisions taken in the Corporation's extra ordinary general meetings (EOGMs) held on December 27, 2016 and January 6, 2017, a subsidiary company [i.e. National Security Printing Company (Private) Limited – NSPC] was formed and the assets and liabilities pertaining to the Corporation's non-currency business were hived-down / transferred to NSPC through a business transfer agreement dated May 18, 2017. The financial performance and cash flows of discontinued operations for prior period are as follows:

		<b>For the period from July 1, 2016 to March 31, 2017</b>
		<b>Rupees '000</b>
35.1	Financial performance of discontinued operations	
	Sales	2,426,024
	Sales tax	(369,367)
	Net sales	<u>2,056,657</u>
	Cost of sales	(940,659)
	Gross profit	<u>1,115,998</u>
	Administrative expenses	(142,533)
	Other expenses	(48,878)
	Other income	4,953
		<u>(186,458)</u>
	Profit before taxation	929,540
	Taxation	(231,610)
	Profit after taxation	<u><u>697,930</u></u>
35.2	Cash flow attributable to discontinued operations	
	Net cash generated from operating activities	2,044,957
	Net cash used in investing activities	(19,204)
	Net cash used in financing activities	(3,285)

36.	<b>EARNINGS PER SHARE</b>	<b>June 30,</b>	<b>June 30,</b>
		<b>2018</b>	<b>2017</b>
		<b>-----Rupees '000-----</b>	
	Profit after taxation from continuing operations	<u>2,059,214</u>	<u>2,044,938</u>
	Profit after taxation from discontinued operations	<u>-</u>	<u>697,930</u>
		<b>----- (No. of Shares) -----</b>	
	Weighted average number of ordinary shares outstanding during the year	<u>1,000,000</u>	<u>1,000,000</u>
		<b>-----Rupees-----</b>	
	Earnings per share - continuing operations	<u>2,059</u>	<u>2,045</u>
	Earnings per share - discontinued operations	<u>-</u>	<u>698</u>

There are no dilutive potential ordinary shares outstanding as at June 30, 2018 or 2017.

### 37. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

- 37.1 Related parties comprise of parent i.e. State Bank of Pakistan associates [Security Papers Limited and SICPA Inks Pakistan (Private) Limited], entities under common control / directorship, employee benefit plans and key management personnel of the Corporation.
- 37.2 Significant transactions with related parties other than those specifically included in investment in associates (note 9), other long term investments (note 10), transactions with employee's pension fund (note 25), cost of sales (note 28), administrative expenses (note 29), other income (note 31) are as follows:

	Note	June 30, 2018	June 30, 2017
-----Rupees '000-----			
<b>Transactions with parent / common control and directorship</b>			
Sale of bank notes		11,776,570	9,397,810
Sale of prize bonds	37.9	437,711	78,382
Charge of staff deputed at the Corporation		40,490	941
<b>Transactions with associated undertakings</b>			
Purchase of paper from Security Papers Limited		3,458,205	2,835,186
Sharing of group pool expenses with Security Papers Limited		41,178	30,826
Purchase of ink from SICPA Inks Pakistan (Private) Limited		4,269,892	2,236,563
Share of group pool expenses with SICPA Inks Pakistan (Private) Limited		2,761	2,015
<b>Transactions with entities under common control / directorship</b>			
Expenses borne on behalf of NSPC		544,801	707,772
Investment in subsidiary		-	6,066,879
Sale of postal and non-postal-items to Director General Pakistan Post Office		-	599,744
Sale of passports to Director General Immigration and Passports		-	1,368,802
Sale of ballot papers to Election Commission of Pakistan		-	-
Sale of census form to Pakistan Beureau of Statistics		-	199,752
<b>Transactions with Government of Pakistan</b>			
Maturity of PIBs		100,000	200,000
Markup income		507	11,675
Key management personnel		Note 37.7	
37.3	All sales transactions with State Bank of Pakistan are carried out by the Corporation using the "Cost Plus Mark-up Method" approved by the Ministry of Finance. All other transactions with related parties are entered on mutually agreed terms.		
37.4	Transactions with employee benefit funds are carried out based on the terms of employment of the employees and according to the actuarial advice (note 25).		
37.5	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 (2017: 6 directors) of the Corporation including the Managing Director.		
37.6	The related party status of outstanding balances as at June 30, 2018 is included in notes 9, 16, 19, 25 and 26. These are to be settled in the ordinary course of business.		

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

	June 30, 2018			June 30, 2017		
	Managing Director	Directors	Executives	Managing Director	Directors	Executives
	-----Rupees '000-----					
Directors' fee	-	1,172	-	-	5,409	-
Managerial remuneration	24,909	-	86,178	4,435	-	67,036
Bonus	3,083	-	17,633	974	-	13,966
Ex-gratia	-	-	14,107	2,033	-	11,173
Staff retirement benefits	-	-	6,739	269	-	6,705
Medical expenses	83	-	171	319	-	131
Others	120	-	2,367	1,180	630	367
	<u>28,195</u>	<u>1,172</u>	<u>127,195</u>	<u>9,210</u>	<u>6,039</u>	<u>99,378</u>
Number of persons	1	10	22	1	3	21

37.8 Following are the related parties with whom the Company 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	Ultimate Parent	100.00%
3	Security Papers Limited	Associate	40.03%
4	SICPA Inks Pakistan (Private) Limited	Associate	47.00%
5	Pakistan Security Printing Corporation - Employees' Pension Fund	Employees fund	N/A
6	National Security Printing Company (Private) Limited	State owned/controlled entity	N/A

37.9 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)

### 38. RUNNING FINANCE - unavailed

The Corporation has a short-term running finance facility available from Bank Al-Habib Limited which is secured by way of a registered hypothecation charge against its receivable from SBP (see note 16.4). The facility amounts to Rs 250 million (2017: Rs 250 million) and the rate of mark-up is three months average KIBOR (2017: KIBOR).

**39. CASH GENERATED FROM OPERATIONS**

	Note	June 30, 2018	June 30, 2017
-----Rupees '000-----			
Profit before taxation from continuing and discontinued operations		3,107,329	3,920,439
<b>Adjustments for non cash items and other items:</b>			
Depreciation		101,216	185,667
Gain on disposal of operating fixed assets		(2,655)	(1,361)
Loss / (gain) on remeasurement of short term investments		87,195	(186,904)
Expense for pension fund		345,780	359,782
Mark-up on bank deposits		(346,620)	(439,082)
Return on investment in Pakistan Investment Bonds		(507)	(11,675)
Share of profit from associates		(691,417)	(562,453)
Provision for doubtful debts - net		157	35,162
Provision for slow moving and obsolete stock-in-trade and stores and spares - net		5,202	3,745
Amortisation		90	252
Financial charges on leased vehicles		1,845	1,143
(Loss) / gain on sale of investments		9,808	(30,148)
Service charges on long term loans		(3,013)	(2,202)
Bonus / dividend income		-	(20,130)
Working capital changes	39.1	(3,288,192)	(231,001)
		<u>(673,782)</u>	<u>3,021,234</u>
39.1 Working capital changes			
<b>(Increase) / decrease in current assets</b>			
Stores and spares		(48,826)	(1,845)
Stock-in-trade		(248,567)	(415,615)
Trade debts		345,526	755,145
Loans and advances		(2,259)	(9,451)
Trade deposits and prepayments		(5,000)	(6,108)
Other receivables		1,698,939	(1,720,650)
		<u>1,739,813</u>	<u>(1,398,524)</u>
<b>(Decrease) / increase in current liabilities</b>			
Trade and other payables		(159,394)	475,799
Payable to NSPC		(4,868,789)	691,766
Accrued mark-up		178	(42)
		<u>(5,028,005)</u>	<u>1,167,523</u>
		<u>(3,288,192)</u>	<u>(231,001)</u>

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

	Note	June 30, 2018	June 30, 2017
-----Rupees '000-----			
40. CASH AND CASH EQUIVALENTS			
Loans and receivables - Term deposit receipts with contractual maturity of less than three months	20	6,100,000	-
Cash and bank balances	21	578,324	1,275,911
		<u>6,678,324</u>	<u>1,275,911</u>

**41. FINANCIAL INSTRUMENTS BY CATEGORY**

	June 30, 2018	June 30, 2017
	-----Rupees '000-----	
<b>FINANCIAL ASSETS</b>		
<b>Loans and receivables at amortised cost</b>		
Long term loans	82,087	96,168
Long-term deposits	18,172	12,836
Trade debts	1,357,094	1,702,777
Loans	10,539	10,650
Accrued mark-up	4,702	90,233
Other receivables	32,551	1,735,776
Short term investments	6,122,000	6,122,000
Cash and bank balances	578,324	1,275,911
	<u>8,205,469</u>	<u>11,046,351</u>
<b>Fair value through profit or loss</b>		
Short term investments	1,328,263	1,582,086
<b>Available-for-sale</b>		
Other long-term investments - Al Hamra Islamic Stock Fund	23,904	27,164
<b>Held-to-maturity</b>		
Other long-term investments - Pakistan Investment Bonds	-	99,955
	<u>9,557,636</u>	<u>12,755,556</u>
<b>FINANCIAL LIABILITIES</b>		
<b>Financial liabilities at amortised cost</b>		
Liabilities against assets subject to finance leases	37,531	16,834
Trade and other payables	1,887,834	1,300,216
Payable to NSPC	905,862	5,774,651
Accrued mark-up	248	70
	<u>2,831,475</u>	<u>7,091,771</u>

**42. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

42.1 The Corporation's activities expose it to certain financial risks. Such financial risks emanate from various factors that include, but not limited to credit risk, liquidity risk and market risk. The Corporation's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Corporation's financial performance. Risks measured and managed by the Corporation are explained in notes 42.1.1, 42.1.2 and 42.1.3 below:

**42.1.1 Credit risk and concentration of credit risk**

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

Out of the total financial assets of Rs 9,557.636 million (2017: Rs 12,755.556 million), the financial assets that are subject to credit risk amounted to Rs 9,541.891 million (2017: Rs 12,649.105 million).

The analysis below summarises the credit quality of the Corporation's financial assets as at June 30, 2018 / 2017.

The bank balances along with credit ratings are tabulated below:

	June 30, 2018	June 30, 2017
	-----Rupees '000-----	
Credit ratings		
A-1+	562,579	1,269,415

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

Credit ratings		
AM1+	1,032,083	854,383
AM2+	-	589,439
AM2	61,241	-
AM2++	234,939	138,264
	<u>1,328,263</u>	<u>1,582,086</u>

Term deposit receipts of the Corporation as at June 30, 2018 are kept with commercial banks having minimum credit rating of A-1.

As at June 30, 2018, trade debts balance is with State Bank of Pakistan, the parent company. Accordingly the credit risk is minimal.

#### 42.1.2 Liquidity risk

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

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

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

	Maturity within one year	Maturity after one year	Total
	-----Rupees '000-----		
	<u>June 30, 2018</u>		
<b>Financial liabilities</b>			
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
	<u>2,805,245</u>	<u>29,516</u>	<u>2,834,761</u>
	<u>June 30, 2017</u>		
<b>Financial liabilities</b>			
Liabilities against assets subject to finance leases	5,890	13,347	19,237
Trade and other payables	1,300,216	-	1,300,216
Payable to NSPC	5,774,651	-	5,774,651
Accrued mark-up	70	-	70
	<u>7,080,827</u>	<u>13,347</u>	<u>7,094,174</u>

### 42.1.3 Market Risk

#### Currency Risk

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

#### Interest rate risk

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. At June 30, 2018, 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 66.644 million (2017: Rs 74.533 million). This is mainly due to changes in the interest rates of balances placed on term deposits, Pakistan Investment Bonds (PIBs) and saving accounts with banks where changes in interest rates may have impact on the future profits / cash flows.

#### Other price risk

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

### 42.1.4 Fair value of financial instruments

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

As at June 30, 2018, 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 date of statement of financial position. The fair values of all other financial assets and liabilities are not considered to be significantly different from their carrying values as these financial assets and liabilities are short term in nature.

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

- a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

The valuation techniques used are as follows:

Level 1: Quoted prices (unadjusted) in active markets

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

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

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

The following table analysis within the fair value hierarchy of the Corporation's financial assets (by class) measured at fair value at June 30, 2018:

Financial assets	June 30, 2018			
	Level 1	Level 2	Level 3	Total
	-----Rupees '000-----			
Short term investments - at fair value through profit and loss	1,328,263	-	-	1,328,263
Investments - Available-for-sale	23,904	-	-	23,904
	<u>1,352,167</u>	<u>-</u>	<u>-</u>	<u>1,352,167</u>

Financial assets	June 30, 2017			
	Level 1	Level 2	Level 3	Total
	-----Rupees '000-----			
Short term investments - at fair value through profit and loss	1,582,086	-	-	1,582,086
Investments - Available-for-sale	27,164	-	-	27,164
	<u>1,609,250</u>	<u>-</u>	<u>-</u>	<u>1,609,250</u>

#### 43. 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, 2018 and 2017, the Corporation had surplus reserves to meet its requirements.

#### 44. PLANT CAPACITY AND ACTUAL PRODUCTION

	June 30, 2018	June 30, 2017
	-----Reams-----	
Production	<u>133,555</u>	<u>105,992</u>

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

**45. NUMBER OF EMPLOYEES**

The total and average number of employees during the year and as at June 30, 2018 and 2017 respectively are as follows:

	June 30, 2018	June 30, 2017
	-----No of employees-----	
Average number of employees during the year	758	952
Average number of factory employees during the year	491	640
Number of employees as at June 30	741	778
Number of factory employees as at June 30	499	552

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

The Board of Directors at its meeting held on 17-10-2018 has proposed for the year ended June 30, 2018 cash dividend of Rs 2,000 per share (2017: Rs nil per share), amounting to Rs 2,000 million (2017: nil), transfer to asset acquisition reserve and general reserve from unappropriated profits amounting to Rs Nil (2017: Rs 2,000 million) and Rs Nil (2017: Rs 743 million) respectively, subject to the approval of the members at the annual general meeting to be held on 26-10-2018. The financial statements for the year ended June 30, 2018 do not include the effects of these appropriations which will be accounted for subsequent to the year end.

**47. GENERAL**

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

**48. DATE OF AUTHORISATION**

These financial statements were authorised for issue on 17-10-2018 by the Board of Directors of the Corporation.

**Chief Executive Officer**

**Chief Financial Officer**

**Chief Executive Officer**

**Director**