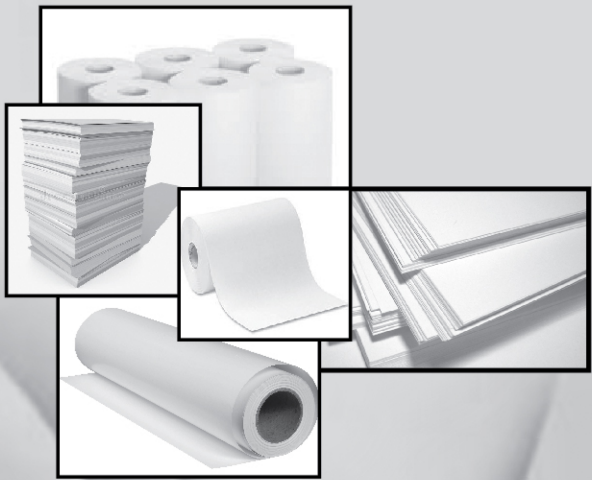
Half Yearly Report
31 December
2018



Security Papers LIMITED

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

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COMPANY INFORMATION

BOARD OF DIRECTORS

Chairman		
Muhammad Haroon Rasheed	-	Non-executive
Directors		
Sheikh Mohammad Aijaz Akhtar	-	Non-executive
Dr. Abolghassem Jamshidi	-	Non-executive
Mr. Memet Ozyavuz	-	Non-executive
Mr. Jamal Nasim	-	Non-executive
Mr. Muhammad Ayub	-	Non-executive
Mr. Mohammad Younus Dagha	-	Non-executive
Mr. Rauf Ahmad	-	Non-executive
Mr. Naveed Ehtesham	-	Non-executive
Chief Executive Officer		
Mr. Ali Hussain	-	Executive

BOARD AUDIT COMMITTEE

Mr. Jamal Nasim	-	Chairman
Sheikh Mohammad Aijaz Akhtar	-	Member
Dr. Abolghassem Jamshidi	-	Member
Mr. Mohammad Younus Dagha	-	Member
Mr. Muhammad Ayub	-	Member
Mr. Naveed Ehtesham	-	Member
Mr. Babar Aijaz	-	Secretary

BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Jamal Nasim	-	Chairman
Mr. Muhammad Haroon Rasheed	-	Member
Mr. Ali Hussain	-	Member
Sheikh Mohammad Aijaz Akhtar	-	Member
Mr. Rauf Ahmad	-	Member
Qazi Syed Imran Azam	-	Secretary

CHIEF FINANCIAL OFFICER	-	Mr. Rizwan Ul Haq Khan
COMPANY SECRETARY	-	Mr. Faizul Islam

BANKERS

National Bank of Pakistan
MIB Bank Limited (Formerly NIB Bank Limited)
Habib Metropolitan Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Meezan Bank Limited

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

TAX CONSULTANTS

A. F. Ferguson & Co.
Chartered Accountants

LEGAL ADVISORS

Mohsin Tayebaly & Co.
Advocates & Legal Consultants

REGISTERED OFFICE

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http://www.security-papers.com

DIRECTORS' REPORT

The Directors are pleased to present the un-audited financial information for the half year ended 31 December 2018.

BUSINESS AND PERFORMANCE REVIEW

The Company produced 1,921 tons of finished paper during the half year under review as compared to 1,517 tons in the corresponding period of previous year. Net sales reported to be Rs 2,064 million during the half year under review as compared to Rs 1,560 million in the corresponding period of preceding year thereby registering increase of Rs 504 million (i.e.32 %). The Company achieved sales volume of 1,923 tons as against 1,540 tons during the corresponding period of preceding year.

Gross profit reported to be Rs 855 million as against Rs 554 million in the corresponding period of preceding year showing an increase of Rs 301 million primarily due to higher sales volume and operational efficiencies.

The profit before and after taxation during the period under review reported to be Rs 608 million and Rs 415 million respectively including other income of Rs 67 million as against Rs 243 million and Rs 131 million respectively including other income of Rs 63 million during the corresponding period of preceding year. During the period under review, the company has not earned any income from investments in equity based mutual funds mainly owing to a subdued capital market.

FORWARD LOOKING INFORMATION

The business environment is likely to remain challenging owing to rupee depreciation and inflationary conditions. However, the Company is focused on increasing productivity and reducing costs while managing risks to optimize the returns and to maintain profitability during the later period of the current financial year.

Your directors are hopeful that with continued and concerted efforts, the Company would achieve the desired results during the current financial year.

On behalf of the Board of Directors

ALI HUSSAIN
Chief Executive Officer

JAMAL NASIM
Director

Karachi
Dated: 25th January 2019

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
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Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Security Papers Limited** ("the Company") as at 31 December 2018 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing as applicable in Pakistan and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other Matters

The financial statements of the Company for the six months period ended 31 December 2017 and for the year ended 30 June 2018 were reviewed and audited by another firm of professional accountants who through their reports dated 30 January 2018 and 31 July 2018, expressed an unqualified conclusion and opinion thereon.

The figures of the condensed interim financial information for the quarter ended 31 December 2018, have not been reviewed and we do not express a conclusion thereon.

The engagement partner on this engagement resulting in this independent auditors' review report is **Muhammad Nadeem**.

Date: 25 January 2019
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Security Papers LIMITED

Condensed Interim Statement of Financial Position

As At 31 December 2018

	Note	31 December 2018 (Un-audited)	30 June 2018 (Audited) (Re-stated)
ASSETS		------ (Rupees in '000) ------	
Non-current assets			
Property, plant and equipment	5	**1,513,926**	1,589,119
Intangible assets		**1,529**	1,329
Long-term investments	6	**799,999**	399,999
Long-term deposits		**3,662**	3,953
		2,319,116	1,994,400
Current assets			
Stores, spares and loose tools		**194,975**	173,275
Stock-in-trade		**366,406**	391,166
Trade debts - considered good		**611,209**	626,610
Loans, advances, deposits, prepayments and other receivables		**64,188**	49,460
Interest Accrued		**23,389**	45,241
Investments	7	**1,767,801**	2,205,703
Cash and bank balances		**416,485**	405,650
		3,444,453	3,897,105
Total assets		**5,763,569**	5,891,505
LIABILITIES			
Current liabilities			
Trade and other payables		**558,694**	583,932
Accrued mark-up		**15**	12
Short-term running finance		**-**	54,618
Unclaimed dividend		**3,123**	8,797
Unpaid dividend		**251,899**	200,460
Current portion of liabilities against subject to finance lease		**5,872**	6,789
Taxation - net		**143,447**	132,781
		963,050	987,389
Non-current liabilities			
Liabilities against assets subject to finance lease		**15,990**	16,441
Deferred taxation - net		**138,080**	182,124
		154,070	198,565
Total liabilities		**1,117,120**	1,185,954
NET ASSETS		**4,646,449**	4,705,551
FINANCED BY:			
Authorised share capital 70,000,000 (30 June 2018: 70,000,000) ordinary shares of Rs 10 each		**700,000**	700,000
Issued, subscribed and paid-up capital 59,255,984 (30 June 2018: 59,255,984) ordinary shares of Rs 10 each		**592,559**	592,559
Revenue Reserves			
General Reserves		**3,937,879**	3,673,519
Unappropriated profit		**116,011**	439,473
SHAREHOLDERS' EQUITY		**4,646,449**	4,705,551
Contingencies & Commitments	8		

The annexed notes 1 to 13 form an integral part of this condensed financial information.

ALI HUSSAIN	JAMAL NASIM	RIZWAN UL HAQ KHAN
Chief Executive Officer	Director	Chief Financial Officer

Condensed Interim Statement of Profit or Loss (Un-audited)

For the quarter and six months ended 31 December 2018

		Quarter ended		Six months ended	
		31 December 2018	31 December 2017 (Re-stated)	**31 December 2018**	31 December 2017 (Re-stated)
	Note	(Rupees in '000)			
Sales - net	9	**1,054,289**	818,236	**2,063,927**	1,559,960
Cost of sales		**(605,962)**	(528,362)	**(1,208,770)**	(1,006,085)
Gross profit		**448,327**	289,874	**855,157**	553,875
Administrative and general expenses		**(66,462)**	(64,405)	**(130,137)**	(122,202)
Other income		**34,528**	25,786	**66,926**	63,044
Other charges	10	**(132,108)**	(82,774)	**(182,317)**	(248,833)
Finance costs		**(870)**	(866)	**(1,614)**	(3,121)
Profit before taxation		**283,415**	167,615	**608,015**	242,763
Taxation					
- Current		**(126,386)**	(73,361)	**(236,991)**	(146,234)
- prior		**(123)**	(4,956)	**(123)**	(4,956)
- Deferred		**21,460**	6,642	**44,045**	39,291
		(105,049)	(71,675)	**(193,069)**	(111,899)
Net profit for the period		**178,366**	95,940	**414,946**	130,864
		Rupees			
Earnings per share - basic & diluted		**3.01**	1.62	**7.00**	2.21

The annexed notes 1 to 13 form an integral part of this condensed financial information.

ALI HUSSAIN **Chief Executive Officer**	**JAMAL NASIM** **Director**	**RIZWAN UL HAQ KHAN** **Chief Financial Officer**

Condensed Interim Statement of Other Comprehensive Income (Un-audited)

For the quarter and six months ended 31 December 2018

	Quarter ended		Six months ended	
	31 December 2018	31 December 2017 (Re-stated)	**31 December 2018**	31 December 2017 (Re-stated)
	------------------------ (Rupees in '000) ------------------------			
Net profit for the period	**178,366**	95,940	**414,946**	130,864
Other comprehensive income:				
Other comprehensive income to be reclassified to profit and loss account in subsequent periods	**-**	-	**-**	-
Other comprehensive income not to be reclassified to profit and loss account in subsequent periods	**-**	-	**-**	-
	-	-	**-**	-
Total comprehensive income for the period	**178,366**	95,940	**414,946**	130,864

The annexed notes 1 to 13 form an integral part of this condensed financial information.

ALI HUSSAIN **Chief Executive Officer**	**JAMAL NASIM** **Director**	**RIZWAN UL HAQ KHAN** **Chief Financial Officer**

Condensed Interim Statement of Changes in Equity (Un-audited)
For the six months ended 31 December 2018

	Issued subscribed and paid-up share capital	Revenue Reserves			Total Reserves	Total equity
		General reserves	Unappropriated profit	Re-measurement of investments classified as available for sale		
	Rupees in '000					
Balance as at 30 June 2017 - as previously reported	592,559	3,209,919	944,451	(146,472)	4,007,898	4,600,457
Effect of change in accounting policy - note 3.2	-	-	(146,472)	146,472	-	-
Balance as at 30 June 2017 - restated	592,559	3,209,919	797,979	-	4,007,898	4,600,457
Total comprehensive income for the six months period ended 31 December 2017						
Net profit for the period	-	-	130,864	-	130,864	130,864
Other comprehensive income	-	-	-	-	-	-
Transactions with owners						
Final Cash dividend for the year ended 30 June 2017	-	-	(474,048)	-	(474,048)	(474,048)
Transfer to general reserves	-	463,600	(463,600)	-	-	-
Balance as at 31 December 2017 - restated	592,559	3,673,519	(8,805)	-	3,664,714	4,257,273
Balance as at 30 June 2018 - as previously reported	**592,559**	**3,673,519**	**753,998**	**(314,525)**	**4,112,992**	**4,705,551**
Effect of change in accounting policy - note 3.2	**-**	**-**	**(314,525)**	**314,525**	**-**	**-**
Balance as at 30 June 2018 - restated	**592,559**	**3,673,519**	**439,473**	**-**	**4,112,992**	**4,705,551**
Total comprehensive income for the six months period ended 31 December 2018						
Net profit for the period	**-**	**-**	**414,946**	**-**	**414,946**	**414,946**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
Transactions with owners						
Final cash dividend for the year ended 30 June 2018	**-**	**-**	**(474,048)**	**-**	**(474,048)**	**(474,048)**
Transfer to general reserves	**-**	**264,360**	**(264,360)**	**-**	**-**	**-**
Balance as at 31 December 2018	**592,559**	**3,937,879**	**116,011**	**-**	**4,053,890**	**4,646,449**

The annexed notes 1 to 13 form an integral part of this condensed financial information.

ALI HUSSAIN Chief Executive Officer	JAMAL NASIM Director	RIZWAN UL HAQ KHAN Chief Financial Officer

Condensed Interim Statement of Cash Flows (Un-audited)
For the six months ended 31 December 2018

	Note	31 December 2018	31 December 2017 (Re-stated)
		Six months ended	
		------ (Rupees in '000) ------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	11	**760,535**	648,085
Long-term deposits		**291**	165
Taxes paid		**(226,448)**	(205,699)
Finance costs paid		**(1,611)**	(3,166)
Net cash generated from operating activities		**532,767**	439,385
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(29,790)**	(96,447)
Proceeds from sale of property, plant and equipment		**1,963**	981
Redemption of Sukuk term finance certificates		**1,425**	1,714
Dividend received from mutual Fund		**-**	3,189
Capital (loss) / gain on mutual fund - net		**-**	(1,506)
Mark-up received		**81,549**	60,810
Investment made during the period		**(1,797,336)**	(137,233)
Investment redeemed during the period		**1,708,635**	375,000
Net cash (used in) / generated from investing activities		**(33,554)**	206,508
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment against lease obligations		**(5,477)**	(3,330)
Payment against short term running finance		**(54,618)**	-
Re-payment of long-term loan		**-**	(1,212)
Dividend paid		**(428,283)**	(440,312)
Net cash (used in) financing activities		**(488,378)**	(444,854)
Net increase in cash and cash equivalents		**10,835**	201,039
Cash and cash equivalents at the beginning of the period		**405,650**	104,930
Cash and cash equivalents at the end of the period		**416,485**	305,969

The annexed notes 1 to 13 form an integral part of this condensed financial information.

ALI HUSSAIN	JAMAL NASIM	RIZWAN UL HAQ KHAN
Chief Executive Officer	Director	Chief Financial Officer

Notes to the Condensed Interim Financial Information (Un-audited)
For the six months ended 31 December 2018

1. THE COMPANY & ITS OPERATION

Security Papers Limited (the "Company") is incorporated and domiciled in Pakistan as a public Company Limited by shares. The address of its registered office and factory is Jinnah Avenue, Malir Halt, Karachi, Pakistan. The Company is listed on the Pakistan Stock Exchange Limited.

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

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 This condensed interim financial information of the Company for the six months ended 31 December 2018 has been prepared in accordance with the requirements of the International Accounting Standards 34 "Interim Financial Reporting" and Islamic Financial Accounting Standards (IFASs) issued by Institute of Chartered Accountant of Pakistan and provisions of and directives issued under the Companies Act, 2017. In case requirements differ, the provisions of and directives issued under the Companies Act, 2017, have been followed.

2.2 This condensed interim financial information of the Company does not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended 30 June 2018. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

2.3 This condensed interim financial information is presented in Pakistan Rupees, which is the Company's functional currency and all financial information presented has been rounded off to the nearest thousand, except otherwise stated.

2.4 This condensed interim financial information is being submitted to the shareholders as required by listing regulations of Pakistan Stock Exchange vide section 237 of the Companies Act, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information is the same as those applied in the preparation of the annual financial statements of the Company for the year ended 30 June 2018 except for the adoption of new standards effective as of 01 July 2018 as stated below:

3.2 Changes in significant accounting policies

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 01 July 2018 which are effective from annual periods beginning on or after 01 July 2018. There are other new standards which are effective from 01 July 2018 but they do not have a material effect on the Company's condensed interim financial information.

During the period, the Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments'. The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

3.2.1 IFRS 15 'Revenue from Contracts with Customers'

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

3.2.2 IFRS 9 Financial Instruments

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

3.2.2.1 Classification and measurement of financial assets and financial liabilities

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

- those to be measured subsequently at fair value either through Other Comprehensive Income (FVOCI), or through profit or loss (FVTPL); and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

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

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

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

The Company reclassifies debt investments when and only when its business model for managing those assets changes. Trade and other receivables and cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Trade receivable is initially measured at transaction price and are subsequently measured at amortised cost using the effective interest method, net of impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Changes in accounting policies resulting from change in classification and measurement of financial assets and financial liabilities due to adoption of IFRS 9 have been applied retrospectively.

3.2.2.2 Impacts of change in classification and measurement of financial assets and financial liabilities due to adoption of IFRS 9

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

	Note	Orignal classification under IAS 39	New classification under IFRS 9	Orignal Carrying Amount	New Carrying Amount
				------ (Rupees in '000) ------	
Investments					
- Pakistan investment bond		Held to maturity	Amortized cost	**1,184,760**	1,184,760
- Treasury bills		Held to maturity	Amortized cost	**98,589**	98,589
- Term finance certificates		Available for sale	FVTPL	**2,112**	2,112
- Units of Mutual Funds	3.2.2.2.1	Available for sale	FVTPL	**1,320,241**	1,320,241
				2,605,702	2,605,702
Loans, deposits, interest accrued and other receivables		Loans and receivables	Amortized cost	**62,787**	62,787
Trade debts - considered good		Loans and receivables	Amortized cost	**626,610**	626,610
Cash and bank balances		Loans and receivables	Amortized cost	**405,650**	405,650
Total financial assets				**3,700,749**	3,700,749

3.2.2.2.1 Investments in mutual funds are effected due to the changes in accounting policy. These investments were reported as "available for sale" under IAS 39 and all unrealized gain or loss were reported through statement of other comprehensive income (FVOCI). On de-recognition of investment the capital gain or loss were reclassified to statement of profit or loss. Unlike IAS 39, IFRS 9 requires unrealized capital gain or loss on these investments to be classified in statement of profit or loss (FVTPL). The impacts of changes in accounting policy are as follows:

	As previously reported	Adjustments as as per IFRS 9	As restated wih adoption of IFRS 9
	------ (Rupees in ‘000) ------		
As at 01 July 2017			
Statement of Financial Position			
Unappropriated profit	944,451	(146,472)	797,979
Re-measurement of investments classified as 'available for sale'	(146,472)	146,472	-
As at 30 June 2018			
Statement of Financial Position			
Unappropriated profit	753,998	(314,525)	439,473
Re-measurement of investments classified as 'available for sale'	(314,525)	314,525	-
For the six months ended 31 December 2017			
Statement of Profit or Loss			
Other charges	38,924	209,909	248,833
Profit before taxation	452,672	(209,909)	242,763
Taxation	139,962	(28,063)	111,899
Net profit for the period	312,710	(181,846)	130,864
EPS - (Rs)	5.28	(3.07)	2.21

3.2.2.3 Impairment

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

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

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

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

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Company's condensed interim financial information.

- IFRS 16 'Leases' (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company's condensed interim financial information.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Company's condensed interim financial information.

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

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

The above amendments are effective from annual period beginning on or after 01 January 2019 and are not likely to have an impact on the Company's condensed interim financial information.

4. USE OF ESTIMATES AND JUDGEMENTS

4.1 The preparation of this condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

4.2 Estimates and judgements made by management in the preparation of this condensed interim financial information are the same as those that were applied to the annual financial statements of the Company as at and for the year ended 30 June 2018.

4.3 The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the annual financial statements as at and for the year ended 30 June 2018.

	Note	**31 December 2018 (Un-audited)**	30 June 2018 (Audited)
		------ (Rupees in '000) ------	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	5.1	**1,506,421**	1,573,237
Capital work-in-progress	5.2	**7,505**	15,882
		1,513,926	1,589,119
5.1 Operating assets			
Opening book value		**1,573,237**	1,541,913
Additions during the period / year	5.1.1	**42,277**	240,002
Disposal during the period / year at book value		**(972)**	(277)
Depreciation charged during the period / year		**(108,121)**	(208,401)
		1,506,421	1,573,237

	Note	31 December 2018 (Un-audited)	30 June 2018 (Audited)
		------ (Rupees in '000) ------	
5.1.1 Additions during the period / year			
Land and building		**-**	33,956
Plant and machinery		**20,634**	156,660
Spare parts and stand by equipment		**-**	1,353
Electric, water and gas installations		**12,377**	32,858
Laboratory Equipment		**247**	1,915
Furniture & Fixtures		**527**	1,324
Office & Security Equipment		**2,251**	202
Computers and accessories		**469**	1,950
Motor Vehicles - Owned		**123**	262
Motor Vehicles - Leased		**5,649**	9,522
		42,277	240,002
5.2 Capital work-in-progress			
Opening balance		**15,882**	49,108
Addition during the period / year		**6,145**	162,474
Transferred to operating fixed assets		**(14,522)**	(195,700)
		7,505	15,882

6. LONG-TERM INVESTMENTS

	Note	31 December 2018 (Un-audited)	30 June 2018 (Audited) (Re-stated)
		------ (Rupees in '000) ------	
Financial Asset at Amortised Cost			
Pakistan Investment Bond - 10 years	6.1	**799,999**	399,999

6.1 These represent investments in Pakistan Investment Bonds (PIB's) carrying profit at a benchmark rate of weighted average yield of the six months market treasury bills as determined in the latest successful 6 months auction plus margin of 0.5% and 0.7% with maturities in May, June and August 2028. The profit payments are made semi annually.

7. INVESTMENTS

	Note	31 December 2018 (Un-audited)	30 June 2018 (Audited) (Re-stated)
		------ (Rupees in '000) ------	
Financial Asset at Amortised Cost			
Treasury bills		**347,050**	98,589
Pakistan investment Bonds - conventional banking		**-**	784,761
Certificate of Investment		**225,000**	-
Financial Asset at Fair Value Through Profit or Loss			
Term finance certificates			
B.R.R. Guardian Modaraba			
277 (June 30 2018: 563) units of Rs 5,000 each	7.1	**1,040**	2,112
Units of Mutual Funds		**1,194,711**	1,320,241
		1,767,801	2,205,703

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

- The principal amount will be redeemed in varying monthly installments commencing from 07 July 2016 and ending on 07 April 2019.

- Markup at the rate of 01 month KIBOR plus 1.5% payable on monthly basis.

8. CONTINGENCIES AND COMMITMENTS

There are no major changes in the status of contingencies as reported in the annual financial statements for the year ended 30 June 2018.

8.1 Tax on undistributed reserves

Under section 5A "Tax on Undistributed profits" of the Income Tax Ordinance 2001, every public company other than a scheduled bank, modarba, power generation companies and government owned entities, is required to pay income tax at the rate of 5% of accounting profit before tax for the year if it does not distribute dividend in cash upto 20% of its profits after tax within six months of the end of the said tax year.

During the period, the company has not declared any interim dividend. However, the Company intends to announce sufficient dividends for the year ended 30 June 2019 inorder to comply with the above stated requirement. Accordingly, no provision for tax on undistributed profits has been recognized in the condensed iterim financial information for the six months period ended 31 December 2018.

	31 December 2018 (Un-audited)	30 June 2018 (Audited)
	------ **(Rupees in '000)** ------	
8.2 Commitments		
Capital expenditure contracted for but not incurred	**6,989**	5,976
Commitments against letters of credit	**81,054**	62,389
	88,043	68,365

	31 December 2018	31 December 2017
	---------- (Un-audited) ----------	
	------ (Rupees in '000) ------	
9. SALES - net		
Bank note paper	**2,150,964**	1,442,492
Non - bank note paper		
- Commercial paper	**20,318**	79,994
- Others	**244,020**	302,715
	264,338	382,709
	2,415,302	1,825,201
Sales tax	**(351,375)**	(265,241)
	2,063,927	1,559,960

9.1 Pakistan is the primary geographical market of the Compay. Revenue is disaggregated by major product lines and timing of revenue recognition for each product line is at the point in time when control of the asset is transferred to the customer (refer note 3.2.1).

10. This includes unrealized loss on investments in mutual funds amounting to Rs 125.53 million (2017: Rs 209.91 million).

	31 December 2018	31 December 2017 (Re-stated)
	---------- (Un-audited) ----------	
	------ (Rupees in '000) ------	
11. CASH GENERATED FROM OPERATIONS		
Profit before taxation	**608,015**	242,763
Adjustments for:		
Depreciation	**108,121**	102,561
Amortization of intangible assets	**177**	-
Gain on disposal of fixed assets	**(991)**	(705)
Reversal of provision for slow moving stock	**-**	(7,215)
Capital loss/(gain) on redemption of PIBs	**(239)**	-
Capital loss/(gain) on redemption of mutual funds	**-**	1,506
Provision for WWF prior year	**-**	251
Unrealized loss on investments in mutual funds	**125,530**	209,909
Reversal of impairment on BRR Guardian Modarba	**(357)**	(429)
Dividend income on mutual funds	**-**	(3,189)
Amortization of discount on PIBs	**-**	(2,682)
Mark up on investments	**(45,667)**	(49,326)
Mark up on bank deposits and saving accounts	**(13,759)**	(6,682)
Mark up on security deposits	**(281)**	(281)
Mark up on employee Loan	**(8)**	(10)
Finance costs	**1,614**	3,121
Working capital changes	**(21,620)**	158,493
	152,520	405,322
Cash generated from operations	**760,535**	648,085

12. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The Company has related party relationship with associated undertakings, directors, key management personnel and retirement benefit funds.Transaction with related parties essentially entail sale of goods and /or services from the below mentioned concerns.

All sales transactions with Pakistan Security Printing Corporation (Private) Limited are carried out by the Company using the "Cost Plus Mark-up Method". Transactions with employee benefit funds are carried out based on the terms of employment of the employees and according to the actuarial advice. All other transactions are carried out on commercial terms.

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

There are no transactions with key management personnel other than under their terms of employments / entitlements. Balances outstanding from related parties are interest free, unsecured and repayable on demand.

The significant transactions with related parties carried out during the six months ended 31 December 2018 and the balances outstanding as at 31 December 2018 as follows:

	31 December 2018	31 December 2017
	---------- (Un-audited) ----------	
	------ (Rupees in '000) ------	
Associated undertaking:		
- Sale of goods to Pakistan Security Printing Corporation (Private) Limited - net	**1,838,430**	1,410,095
- Receivable from Pakistan Security Printing Corporation (Private) Limited - net	**454,092**	439,454
Common Directorship:		
- State Life Insurance Corporation Limited (Life Insurance Facility)	**1,747**	1,771
Employees' Provident Fund		
- Contribution during the period	**9,871**	9,206
Employees' Gratuity Fund		
- Contribution during the period	**14,440**	8,989
Key management personnel:		
- Remuneration and other employment benefits	**67,382**	50,533

13. GENERAL

13.1 Comparative Information

Long term security deposits amountiong to Rs 12.646 (30 June 2018: 12.646) million has been reclassified to loans, advances, deposits, prepayments and other receivables in order to give better presentation and accordingly comparatives have been rearranged.

Date of authorization

This condensed interim financial information was authorised by the Board of Directors of the Company on 25 January 2019.

ALI HUSSAIN Chief Executive Officer	JAMAL NASIM Director	RIZWAN UL HAQ KHAN Chief Financial Officer

ATTENTION SHAREHOLDERS

Attention of shareholders is invited to the following legal requirements:

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

As has already been notified from time to time, SECP has directed vide its Notification S.R.O. 831(1)/2012 dated July 5, 2012 that the Dividend Warrant(s) should also bear the Computerized National Identity Card (CNIC) Number of the registered shareholder or the authorized person, except in case of minor(s) and corporate shareholder(s).

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

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

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

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

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

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

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

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

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

The required information must reach our Share Registrar before closure of share transfer books to determine the entitlement(s), if any; otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s).

(iii) As per FBR Circulars C. No. 1 (29) WHT/2006 dated 30.06.2010 and C. No. 1 (43) DG (WHT)/2008-Vol.II-66417-R dated 12th May 2015, the valid exemption certificate is mandatory to claim exemption of withholding tax U/S 150 of the Income Tax Ordinance, 2001 (tax on dividend amount) where the statutory exemption under clause 47B of part-IV of Second Schedule is available. The shareholders who fall in the category mentioned in above clause and want to avail exemption U/S 150 of the Ordinance, must provide valid Tax Exemption Certificate to our Share Registrar before book closure otherwise tax will be deducted on dividend as per applicable rates.

(iv) For any query/clarification/information, the investors may contact the Company Secretary of the Company and/or Manager of Share Registrar.

(v) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or FAMCO Associates (Pvt.) Ltd. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

3. Payment of Cash Dividend Electronically (Mandatory)

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

Therefore, shareholders are requested to provide the details of their bank mandate information specifying: (a) title of account, (b) account number (c) IBAN number (d) bank name and (e) branch name, code and address to the Company or Share Registrar. Those shareholders who hold shares with participants / Central Depository Company of Pakistan (CDC) are advised to provide the same to their concerned participant / CDC.

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

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

4. Unclaimed / Unpaid Shares and Dividends

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

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

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

5. Change of Address (If any)

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

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

Registered Office	**OR**	**Share Registrar**
The Company Secretary Security Papers Limited Jinnah Avenue, Malir Halt, Karachi. Tel. No: (+9221) 99248285 Fax No: (+9221) 99248286 Email: comsec@security-papers.com Website: http://www.security-papers.com		FAMCO Associates (Pvt.) Limited 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi. Tel. No: (+9221) 34380101-5 Fax No: (+9221) 34380106 info.shares@famco.com.pk Website: www.famco.com.pk

Karachi
25th January 2019

Faizul Islam
Company Secretary

BOOK POST

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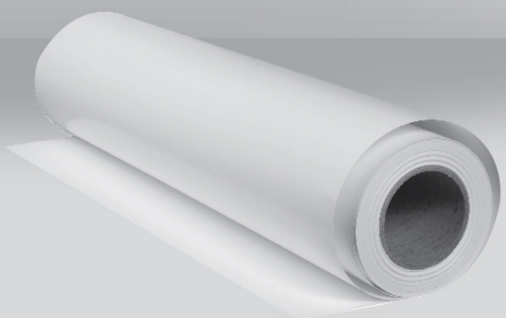
UNDER POSTAL CERTIFICATE



Security Papers LIMITED

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

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