

Quarterly Report March 31, 2020



Security Papers
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COMPANY INFORMATION

BOARD OF DIRECTORS

Chairman

Mr. 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 - Independent
Mr. Muhammad Ayub - Non-executive - Independent
Sardar Ahmad Nawaz Sukhera - Non-executive - Independent
Mr. Rauf Ahmad - Non-executive
Mr. Naveed Ehtesham - Non-executive

Chief Executive Officer

Dr. Mohammad Ashraf Butt - Executive

BOARD AUDIT COMMITTEE

Mr. Jamal Nasim - Chairman
Sardar Ahmad Nawaz Sukhera - Member
Mr. Muhammad Ayub - Member
Sheikh Mohammad Aijaz Akhtar - Member
Dr. Abolghassem Jamshidi - Member
Mr. Naveed Ehtesham - Member
Mr. Aqeel Ahmed - Secretary

BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Jamal Nasim - Chairman
Mr. Muhammad Haroon Rasheed - Member
Dr. Mohammad Ashraf Butt - Member
Sheikh Mohammad Aijaz Akhtar - Member
Mr. Rauf Ahmad - Member
Mr. Shahbaz Ali - Secretary

CHIEF FINANCIAL OFFICER

- Mr. Babar Aijaz

COMPANY SECRETARY

- Mr. Rizwan Ul Haq Khan

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

LEGAL ADVISORS

Mohsin Tayebaly & Co.
Advocates & Legal Consultants

REGISTERED OFFICE

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A. F. Ferguson & Co.
Chartered Accountants

SHARE REGISTRARS

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DIRECTORS' REPORT

The Directors are pleased to present the un-audited financial information for the nine months period ended March 31, 2020.

BUSINESS AND PERFORMANCE REVIEW

The Company produced 3,414 tons of finished paper during the period under review which is 22.5% higher as compared to 2,787 tons in the corresponding period of preceding year. Net sales reported to be Rs 3,693 million during the nine months period under review which is 23% higher as compared to Rs 3,012 million in the corresponding period of preceding year. The Company achieved sales volume of 3,412 tons which is 22% higher as against 2,795 tons during the corresponding period of preceding year.

Gross profit reported to be Rs 1,340 million as against Rs 1,203 million in the corresponding period of preceding year showing an increase of Rs 137 million primarily due to higher sales volume and operational efficiencies. The gross profit margin remained under pressure due to higher input prices.

The profit before and after taxation during the period under review reported to be Rs 1,118 million and Rs 767 million respectively as against Rs 948 million and Rs 638 million respectively during the corresponding period of preceding year. It includes other income of Rs 227 million as against Rs 117 million earned during the corresponding period of preceding year. On account of negative and lackluster performance of the stock market during the period under review, the Company has reported unrealized loss on investments in equity based mutual funds amounting to Rs 123 million in the other charges as against unrealized loss of Rs 96 million reported during the corresponding period of the preceding year.

FUTURE PROSPECTS

Your Company has always been at the forefront to meet the ever growing demand for Banknote and other security paper through timely enhancement in production capacities. During the rapidly evolving situation related to the Covid-19, our primary objective continues to be the health and safety of our employees, shareholders and other stakeholders. Keeping in view the safety measures, the Company has ensured continuity in operations even in these challenging times. The business environment is likely to remain challenging owing to potential adverse implications of Covid-19 pandemic on the economy. However, the Company is continuing to make all efforts to improve productivity through innovation, improving efficiency and effective cost containment initiatives.

ACKNOWLEDGEMENT

The directors of your Company take this opportunity to express their gratitude to all the stakeholders for their encouragement and support.

On behalf of the Board of Directors

Dr. Mohammad Ashraf Butt
Chief Executive Officer

Jamal Nasim
Director

Karachi,
Dated: April 24, 2020



Condensed Interim Statement of Financial Position (Un-audited)

As at 31 March 2020

		31 March 2020 (Un-audited)	30 June 2019 (Audited)
ASSETS			
	Note	----- (Rupees in '000) -----	
Non-current assets			
Property, plant and equipment	7	1,531,203	1,514,757
Intangible assets		20,012	1,596
Long-term investments	8	1,294,585	1,190,841
Lease Deposits		4,099	4,268
		<u>2,849,899</u>	<u>2,711,462</u>
Current assets			
Stores, spares and loose tools		220,315	182,517
Stock-in-trade		519,566	363,770
Trade debts - considered good		404,894	903,510
Loans, advances, deposits, prepayments and other receivables		62,118	86,598
Interest Accrued		64,653	45,120
Investments	9	1,841,906	1,586,544
Cash and bank balances		567,510	204,913
		<u>3,680,961</u>	<u>3,372,972</u>
Total assets		<u><u>6,530,860</u></u>	<u><u>6,084,434</u></u>
EQUITY AND LIABILITIES			
Share Capital & Reserves			
Authorised share capital 70,000,000 (2019: 70,000,000) ordinary shares of Rs 10 each		<u>700,000</u>	<u>700,000</u>
Issued, subscribed and paid-up capital 59,255,985 ordinary shares of Rs 10 each		<u>592,559</u>	<u>592,559</u>
Revenue Reserves			
General Reserves		4,217,879	3,937,879
Unappropriated profits		464,932	407,658
		<u>4,682,811</u>	<u>4,345,537</u>
Total Shareholders' Equity		<u>5,275,370</u>	<u>4,938,096</u>
Non-current liabilities			
Liabilities against assets subject to finance lease		15,821	18,735
Deferred taxation - net		96,055	125,618
		<u>111,876</u>	<u>144,353</u>
Current liabilities			
Trade and other payables		735,403	540,252
Accrued mark-up		-	116
Short-term running finance		-	88,030
Unclaimed dividend		1,523	1,832
Unpaid dividend		258,677	255,965
Current portion of liabilities against assets subject to finance lease		7,207	7,096
Taxation - net		140,804	108,694
		<u>1,143,614</u>	<u>1,001,985</u>
Total liabilities		<u>1,255,490</u>	<u>1,146,338</u>
Contingencies & Commitments	10		
TOTAL EQUITY AND LIABILITIES		<u><u>6,530,860</u></u>	<u><u>6,084,434</u></u>

The annexed notes 1 to 16 form an integral part of this condensed financial information.

DR. MOHAMMAD ASHRAF BUTT
Chief Executive Officer

JAMAL NASIM
Director

BABAR AIJAZ
Chief Financial Officer



Condensed Interim Statement of Profit or Loss (Un-audited)
For the nine months and quarter ended 31 March 2020

	Note	Nine months ended		Quarter ended	
		31 March 2020	31 March 2019	31 March 2020	31 March 2019
		----- (Rupees in '000) -----			
Sales - net	11	3,693,315	3,012,247	1,203,571	948,320
Cost of sales		(2,353,810)	(1,809,414)	(765,094)	(600,644)
Gross profit		1,339,505	1,202,833	438,477	347,676
Administrative and general expenses		(225,822)	(187,798)	(75,580)	(57,661)
Other income		227,433	117,297	(122,251)	50,371
Other charges	12	(219,145)	(181,400)	(140,666)	917
Finance costs		(3,747)	(2,681)	(1,448)	(1,067)
Profit before taxation		1,118,224	948,251	98,532	340,236
Taxation					
- Current		(374,068)	(339,906)	(126,683)	(102,915)
- Prior		(6,842)	(123)	(452)	-
- Deferred		29,565	29,534	54,672	(14,511)
		(351,345)	(310,495)	(72,463)	(117,426)
Profit for the period		766,879	637,756	26,069	222,810
		----- Rupees -----			
Earnings per share - basic & diluted		12.94	10.76	0.44	3.76

The annexed notes 1 to 16 form an integral part of this condensed financial information.

DR. MOHAMMAD ASHRAF BUTT
Chief Executive Officer

JAMAL NASIM
Director

BABAR AIJAZ
Chief Financial Officer



**Condensed Interim Statement of
Other Comprehensive Income (Un-audited)**
For the nine months and quarter ended 31 March 2020

	Nine months ended		Quarter ended	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	----- (Rupees in '000) -----			
Net profit for the period	766,879	637,756	26,069	222,810
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	766,879	637,756	26,069	222,810

The annexed notes 1 to 16 form an integral part of this condensed financial information.

DR. MOHAMMAD ASHRAF BUTT
Chief Executive Officer

JAMAL NASIM
Director

BABAR AIJAZ
Chief Financial Officer



Condensed Interim Statement of Changes in Equity (Un-audited)
For the nine months ended 31 March 2020

	Issued subscribed and paid-up share capital	Revenue Reserves			Total equity
		General reserves	Unappropriated Profit	Total Reserves	
----- Rupees in '000 -----					
Balance as at 30 June 2018 - re-stated	592,559	3,673,519	439,473	4,112,992	4,705,551
Total comprehensive income for the nine months period ended 31 March 2019					
Net profit for the period	-	-	637,756	637,756	637,756
Other comprehensive loss, net of taxes	-	-	-	-	-
	-	-	637,756	637,756	637,756
Transactions with owners					
Final cash dividend for the year ended 30 June 2018	-	-	(474,048)	(474,048)	(474,048)
Interim cash dividend for the period ended 31 Dec 2018			(59,256)	(59,256)	(59,256)
Transfer to general reserves	-	264,360	(264,360)	-	-
Balance as at 31 March 2019	<u>592,559</u>	<u>3,937,879</u>	<u>279,565</u>	<u>4,217,444</u>	<u>4,810,003</u>
Balance as at 30 June 2019	592,559	3,937,879	407,658	4,345,537	4,938,096
Total comprehensive income for the nine months period ended 31 March 2020					
Net profit for the period	-	-	766,879	766,879	766,879
Other comprehensive income	-	-	-	-	-
	-	-	766,879	766,879	766,879
Transactions with owners					
Final cash dividend for the year ended 30 June 2019	-	-	(429,605)	(429,605)	(429,605)
Transfer to general reserves	-	280,000	(280,000)	-	-
Balance as at 31 March 2020	<u>592,559</u>	<u>4,217,879</u>	<u>464,932</u>	<u>4,682,811</u>	<u>5,275,370</u>

The annexed notes 1 to 16 form an integral part of this condensed financial information.

DR. MOHAMMAD ASHRAF BUTT
Chief Executive Officer

JAMAL NASIM
Director

BABAR AIJAZ
Chief Financial Officer



Condensed Interim Statement of Cash Flows (Un-audited)
For the nine months ended 31 March 2020

	Note	Nine months ended	
		31 March 2020	31 March 2019
----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	13	1,680,190	892,445
Long-term deposits		169	266
Taxes paid		(348,800)	(319,638)
Finance costs paid		(3,863)	(2,667)
Net cash generated from operating activities		1,327,696	570,406
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(167,685)	(87,449)
Acquisition of Intangible assets		(19,412)	-
Proceeds from sale of property, plant and equipment		3,083	2,531
Redemption of Sukuk term finance certificates		-	2,282
Dividend received from Mutual Fund		885	-
Mark-up received		187,994	118,818
Investment made during the period		(3,143,145)	(2,595,205)
Investment redeemed during the period		2,745,167	2,280,685
Net cash used in investing activities		(393,113)	(278,338)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment against lease obligations		(6,754)	(7,027)
Payment against short term running finance		(88,030)	(54,618)
Dividend paid		(427,202)	(481,747)
Net cash used in financing activities		(521,986)	(543,392)
Net increase / (decrease) in cash and cash equivalents		412,597	(251,324)
Cash and cash equivalents at the beginning of the period		204,913	405,650
Cash and cash equivalents at the end of the period	14	617,510	154,326

The annexed notes 1 to 16 form an integral part of this condensed financial information.

DR. MOHAMMAD ASHRAF BUTT
Chief Executive Officer

JAMAL NASIM
Director

BABAR AIJAZ
Chief Financial Officer



Notes to the Condensed Interim Financial Information (Un-audited) For the nine months and quarter ended 31 March 2020

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-bank note security documents.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 This condensed interim financial information of the Company for the nine months period ended 31 March 2020 has been prepared in accordance with the accounting and reporting standard as applicable in Pakistan for interim financial reporting.

The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS - 34, 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 2019. 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 audited financial statements.

2.3 This condensed interim financial information is presented in Pakistan Rupees which is also 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 these condensed interim financial statements are the same as those applied in the preparation of the audited financial statements for the year ended 30 June 2019 except as disclosed in note 3.2 below:

3.2 Changes in accounting policies

The Company has adopted IFRS 16 'Leases' from 01 July 2019 which is effective from annual periods beginning on or after 01 January 2019 and the key changes to the Company's accounting policies resulting from adoption of IFRS 16 are summarized below:



3.2.1 IFRS 16 'Leases'

IFRS 16 has introduced a single, on-balance sheet accounting model for lessees. As a result, the entity, as a lessee has recognized right-of-use asset representing its rights to use the underlined assets and lease liabilities representing its obligation to make lease payments.

The Company has applied IFRS 16 using the modified retrospective approach. Under this approach the cumulative effect of initial application has been recognized in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 has not been restated - i.e it is presented, as previously reported, under IAS 17 and related interpretations.

The details of the changes in accounting policies are disclosed below.

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The entity mainly leases properties for its operations. The entity recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses if any, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method over the shorter of the lease term and the asset's useful life. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the entity's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term. The right-of-use assets are presented in the same line items as it presents underlying assets of the same nature that it owns.

The Company did not have any property leases arrangement therefore, adoption of IFRS 16 at 1 July 2019 did not have an effect on the condensed interim financial information of the Company except the reclassification of leased assets as Right-of-use assets (refer note 7.3).

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

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2019 other than those disclosed in note 3.2, are considered not to be relevant or do not have any significant effect on the company's the Company's financial position and are therefore not stated in these condensed interim financial information.

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

The following International Financial Reporting Standards (IFRS) 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 2020.



- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Change in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process - this means that the overall impact on standard setting may take some time to crystallise. The companies may use the framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 01 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.

6 USE OF ESTIMATES AND JUDGEMENTS

In preparing these condensed interim financial information, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual result may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the annual financial statements as at and for the year ended 30 June 2019.



		31 March 2020 (Un-audited)	30 June 2019 (Audited)
7. PROPERTY, PLANT AND EQUIPMENT	Note	----- (Rupees in '000) -----	
Operating assets	7.1	1,393,837	1,510,353
Capital work-in-progress	7.2	115,884	4,404
Right of use assets	7.3	21,482	-
		<u>1,531,203</u>	<u>1,514,757</u>
7.1 Operating assets			
Opening book value		1,510,353	1,573,237
Additions during the period / year	7.1.1	47,397	153,419
Disposal during the period / year - at book value		(39)	(1,388)
Right-of-use assets		(23,707)	-
Depreciation charged during the period / year		(140,167)	(214,915)
		<u>1,393,837</u>	<u>1,510,353</u>
7.1.1 Additions during the period / year			
Land and building		-	10,743
Plant and machinery		9,950	87,563
Spare parts and stand by equipment		11,214	4,394
Electric, water and gas installations		14,471	24,413
Laboratory Equipment		3,677	1,057
Furniture & Fixtures		549	527
Office & Security Equipment		2,363	8,150
Computers and accessories		2,256	1,593
Motor Vehicles - Owned		2,917	164
Motor Vehicles - Leased		-	14,815
		<u>47,397</u>	<u>153,419</u>
7.2 Capital work-in-progress			
Opening balance		4,404	15,882
Addition during the period / year		113,208	44,466
Transferred to operating fixed assets		-	(53,387)
Transferred to right of use assets		(1,710)	-
Expensed Out		(18)	(2,557)
		<u>115,884</u>	<u>4,404</u>
7.3 Right of Use Assets			
Opening balance		-	-
Transferred from operating assets		23,707	-
Additions during the period / year		3,909	-
Transferred from CWIP		1,710	-
Disposals		(2,045)	-
Depreciation for the period		(5,799)	-
		<u>21,482</u>	<u>-</u>
8. LONG-TERM INVESTMENTS - At Amortised Cost			
Pakistan Investment Bond	8.1	<u>1,294,585</u>	<u>1,190,841</u>
8.1			
These represent investments in 3 years and 10 Years Pakistan Investment Bonds (PIBs) carrying floating and fixed profit at the rate ranging from 12.05% to 14% (June 30, 2019: 11.05% to 13.69%) with maturities in July 2021 and August 2028. The profit payments are made semi annually.			



	31 March 2020 (Un-audited)	30 June 2019 (Audited)
9. INVESTMENTS		
Financial Asset at Amortised Cost		
Treasury bills	839,379	-
Term Deposit Receipts	50,000	512,000
Financial Asset at Fair Value Through Profit or Loss		
Units of Mutual Funds	952,527	1,074,544
	<u>1,841,906</u>	<u>1,586,544</u>

10. 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 2019.

10.1 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, modaraba, 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 up to 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 interim dividend. However, the Company intends to announce sufficient dividends for the year ending 30 June 2020 in order to comply with the above stated requirements.

Accordingly, no provision for tax on undistributed profits has been recognized in the condensed interim financial information for the nine months period ended 31 March 2020.

	31 March 2020 (Un-audited)	30 June 2019 (Audited)
10.2 Commitments		
Ijarah Financing	1,543	1,714
Capital expenditure contracted for but not incurred	41,049	92,566
Commitments against letters of credit	174,887	12,259



11. SALES - net

	Nine months ended		Quarter ended	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	----- (Unaudited) ----- ----- (Rupees in '000) -----			
Bank note paper	3,533,332	3,107,489	994,974	956,525
Non - bank note paper				
- Commercial paper	35,250	24,518	11,649	4,200
- Others	753,478	392,935	401,846	148,915
	788,728	417,453	413,495	153,115
	<u>4,322,060</u>	<u>3,524,942</u>	<u>1,408,469</u>	<u>1,109,640</u>
Sales tax	(628,745)	(512,695)	(204,898)	(161,320)
	<u>3,693,315</u>	<u>3,012,247</u>	<u>1,203,571</u>	<u>948,320</u>

11.1 Pakistan is the primary geographical market of the Company. 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).

- 12.** This includes unrealized loss on investments in mutual funds amounting to Rs 123 million (2019: Rs 95.62 million)



	Nine months ended	
	31 March 2020	31 March 2019
Note	----- (Rupees in '000) -----	
13. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,118,224	948,251
Adjustments for:		
Depreciation	140,167	162,563
Amortization of intangible assets	996	281
Gain on disposal of fixed assets	(999)	(1,143)
Provision for slow moving stock	(6,676)	-
Capital gain on redemption of PIBs	-	(239)
Unrealized loss on investments in mutual funds	122,769	95,615
Reversal of impairment on BRR Guardian Modarba	-	(571)
Dividend income on mutual funds	(885)	-
Amortization of discount on PIBs	(14,236)	(1,531)
Mark up on investments	(162,850)	(82,977)
Mark up on bank deposits and saving accounts	(44,677)	(23,485)
Mark up on security deposits	-	(375)
Mark up on employee Loan	(45)	(9)
Finance costs	3,748	2,681
Changes in:		
- Stores, spare parts and loose tools	(37,798)	(17,645)
- Stock-in-trade	(155,796)	69,200
- Trade debts	498,616	(259,109)
- Loans, advances, deposits, prepayments and other receivables	24,480	(16,069)
- Trade and other payables	195,151	17,007
	<u>1,680,190</u>	<u>892,445</u>

14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts:

Cash and bank balances	567,510	204,913
Short term investment having maturity upto three months	9 50,000	-
	<u>617,510</u>	<u>204,913</u>



15. 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 nine months period ended 31 March 2020 and the balances outstanding as at 31 March 2020 as follows:

Name	Nature of relationship	Basic of relationship	Nature of transaction	(Un-audited)	
				31 March 2020	31 March 2019
				----- (Rupees in '000) -----	
Pakistan Security Printing Corporation (Pvt) Limited	Associated undertaking	Common directorship	Sales	<u>3,146,511</u>	<u>2,695,293</u>
			Purchases	<u>4,120</u>	<u>-</u>
			Shared expenses;		
			- charged by associate	<u>29,386</u>	<u>27,731</u>
			- charged to associate	<u>71</u>	<u>-</u>
			Dividend Paid	<u>171,983</u>	<u>213,496</u>
Trade debts & Other Payables - net			<u>315,535</u>	<u>766,909</u>	
Summer Holdings, Turkey	Other	Director on board of Company	Dividend Paid	<u>42,960</u>	<u>53,331</u>
Industrial Development & Renovation Organisation, Iran	Other	Director on board of Company	Dividend Payable	<u>330,679</u>	<u>287,719</u>
Employees Retirement Funds	Retirement Benefit funds	Employees Benefit funds	Expense Charged	<u>33,455</u>	<u>36,393</u>
Key management personnel	Related parties	Executives	Remuneration and benefits	<u>106,764</u>	<u>96,502</u>



16. GENERAL

16.1 Risk and Uncertainties

The impacts of the global emergence of Coronavirus disease (COVID - 19) on our business are currently unknown. We are conducting business with some modifications to employee working and cancellation of certain events, among other modifications. We have observed other companies taking precautionary and pre-emptive actions to address COVID - 19 and companies may take further actions that alter their normal business operations. We will continue to actively monitor the situation and may take further actions that alter our business operations as may be required by federal, provincial or local authorities or that we determine are in the best interests of our employees, customers, partners, suppliers and stockholders. It is not clear what the potential effects any such alterations or modifications may have on our business, including the effects on our customers and prospects, or on our financial results for our fourth quarter period ending June 2020. Government has taken certain measures to reduce the spread of the COVID-19 including lockdown of businesses, suspension of flight operations, intercity movements, cancellation of major events etc. These measures have resulted in an overall economic slowdown, disruptions to various business and significant volatility in the Pakistan Stock Exchange (PSX). On March 31, 2020, the Pakistan Stock Exchange (PSX) 100 index closed at 29,232 points and the Index has shed more than 28% from December 31, 2019.

16.2 Date of Authorisation

This condensed interim financial information was authorised by the Board of Directors of the Company on 24 April, 2020.

DR. MOHAMMAD ASHRAF BUTT
Chief Executive Officer

JAMAL NASIM
Director

BABAR AIJAZ
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 2019 effective July 1, 2019, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

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

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

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

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

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

			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 within 10 days of this notice; otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s).

- (iii) As per FBR Circulars No. 1 (29) WHT/2006 dated 30 June 2010 and No. 1 (43) DG (WHT)/2008- Vol. II -66417-R dated 12 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/problem/information, the investors may contact the Company Secretary at phone: 021-99248285 and email address comsec@security-papers.com and/or FAMCO Associates (Pvt.) Ltd. at phone 021-34380101-5 and email address: info.shares@famco.com.pk.
- (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. Placement of Financial Accounts on Website

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

6. 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

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>

Karachi
April 24, 2020

OR Share Registrar

FAMCO Associates (Pvt.) Limited
8-F, Next to Hotel Faran, Nursery,
Block-6, P.E.C.H.S., Shahrah-e-Faisal,
Karachi.
Tel. No: (+9221) 34380101-5
Fax No: (+9221) 34380106
Email: info.shares@famco.com.pk
Website: www.famco.com.pk

Rizwan Ul Haq Khan
Company Secretary



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