

Quarterly Report **2014**
30 September



Security Papers
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COMPANY INFORMATION

BOARD OF DIRECTORS

Chairman

Mr. Kazi Abdul Muktadir - Non-executive

Directors

Sheikh Mohammad Aijaz Akhtar - Non-executive, Minority & Independent
Mrs. Ayla Akin - Turkey - Non-executive & Minority
Mr. Jamal Nasim - Non-executive & Minority
Mr. Rizwan Ahmed - Non-executive
Mr. Ajaz Ali Khan - Non-executive & Minority
Dr. Abolghassem Jamshidi - Iran - Non-executive & Minority
Mr. Muhammad Ayub - Non-executive & Minority

Chief Executive Officer

Mr. Muhammad Misbah Tunio - Executive

BOARD AUDIT COMMITTEE

Sheikh Mohammad Aijaz Akhtar - Chairman
Mr. Kazi Abdul Muktadir - Member
Mr. Rizwan Ahmed - Member
Dr. Abolghassem Jamshidi - Member
Mr. Muhammad Ayub - Member
Head of Internal Audit - Secretary

BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Ajaz Ali Khan - Chairman
Mr. Jamal Nasim - Member
Mr. Muhammad Misbah Tunio - Member
Head of Human Resource & Administration - Secretary

CHIEF FINANCIAL OFFICER

- Mr. Rizwan Ul Haq Khan

COMPANY SECRETARY

- Mr. Muhammad Abdul Aleem

BANKERS

National Bank of Pakistan
Faysal Bank Limited
Habib Metropolitan Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited

AUDITORS

Ernst & Young Ford Rhodes Sidat Hyder
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

Your Directors are pleased to present the un-audited financial information for the quarter ended 30 September 2014.

BUSINESS AND PERFORMANCE REVIEW

The Company produced 516 tons of finished paper during the quarter under review as compared to 598 tons in the corresponding period of previous year. Net sales reported to be Rs 496 million during the quarter under review as compared to Rs 608 million in the corresponding period of preceding year thereby registering decrease of Rs 113 million (i.e.18.00%). The Company achieved sales volume of 524 tons as against 679 tons during the corresponding period of preceding year.

Gross profit reported to be Rs 160 million as against Rs 186 million in the corresponding period of preceding year showing a decrease of Rs 26 million primarily due to lower sales volume during the quarter under review.

The profit before and after taxation during the period under review reported to be Rs 149 million and Rs 102 million respectively including other income of Rs 56 million as against Rs 165 million and Rs 109 million respectively including other income of Rs 54 million during the corresponding period of preceding year.

FORWARD LOOKING INFORMATION

Going forward there are considerable macro economic, political and social challenges that continue to support focus on innovations, increased customer focus and a strong performance culture within the organization to optimize the return and improve productivity during the later period of the current financial year.

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

For and on behalf of the Board

KAZI ABDUL MUKTADIR
Chairman

Karachi, 24 October 2014



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Attachment to the Directors' Report

ABSTRACT

(Under Section 218 of the Companies Ordinance, 1984)

To: All members of the Company

Subject: **Appointment of Chief Executive Officer**

Dear Shareholders,

This is to inform the members of the Company that the Board of Directors at its meeting held on 10 September 2014 has approved an amount of Rs 110,000/= (Rupees One hundred ten thousand only) per month to be paid to Mr. Muhammad Misbah Tunio for providing services as the Chief Executive Officer of the Company with effect from 29 August 2014. Other benefits and conditions will be as per the Company's policy and as determined by the Board of Directors from time to time.

No other director of the Company is in any way concerned or interested in the appointment and/or remuneration of Mr. Muhammad Misbah Tunio.

Your faithfully
For Security Papers Limited

Muhammad Abdul Aleem
Company Secretary

Karachi
Dated: 18 September 2014



CONDENSED INTERIM BALANCE SHEET
AS AT 30 SEPTEMBER 2014

		Un-Audited 30 September 2014	Audited 30 June 2014
	Note	----- (Rupees in '000) -----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,925,223	1,929,736
Long-term deposits		14,502	14,561
Long-term investments		1,453,416	1,451,031
		<u>3,393,141</u>	<u>3,395,328</u>
CURRENT ASSETS			
Stores, spares and loose tools		122,543	115,715
Stock-in-trade		330,270	336,654
Trade debts - considered good		354,493	284,402
Advances, deposits, prepayments and other receivables		21,254	14,193
Accrued mark-up		32,120	75,514
Investments	5	589,380	596,276
Cash and bank balances		39,512	83,213
		<u>1,489,572</u>	<u>1,505,967</u>
TOTAL ASSETS		<u>4,882,713</u>	<u>4,901,295</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		514,429	482,556
Accrued mark-up		3,532	3,686
Short Term Borrowings		54,408	-
Current maturity of long-term loan	6	161,214	161,214
Current portion of liabilities against assets subject to finance lease		4,354	4,549
Taxation - net		108,665	94,828
		<u>846,603</u>	<u>746,833</u>
NON-CURRENT LIABILITIES			
Long-term loan	6	121,934	162,237
Liabilities against assets subject to finance lease		9,725	10,626
Deferred taxation - net		297,315	311,641
		<u>428,974</u>	<u>484,504</u>
TOTAL LIABILITIES		<u>1,275,577</u>	<u>1,231,337</u>
Contingencies and commitments	7		
NET ASSETS		<u>3,607,136</u>	<u>3,669,958</u>
FINANCED BY:			
Authorised share capital 70,000,000 (June 30, 2014: 70,000,000) Ordinary shares of Rs 10/- each		<u>700,000</u>	<u>700,000</u>
Issued, subscribed and paid-up capital		592,559	493,799
Capital reserves		30,549	22,563
Revenue reserves		2,984,028	3,153,597
SHAREHOLDERS' EQUITY		<u>3,607,136</u>	<u>3,669,958</u>

The annexed notes 1 to 11 form an integral part of these interim financial statements.

MUHAMMAD MISBAH TUNIO
Chief Executive Officer

MUHAMMAD AYUB
Director



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**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2014**

	30 September 2014	30 September 2013
	----- (Rupees in '000) -----	
Sales - net	495,720	608,381
Cost of sales	(335,268)	(422,356)
Gross profit	160,452	186,025
Administration and general expenses	(46,282)	(49,519)
Other operating income	56,276	53,595
Other operating charges	(12,246)	(13,679)
Finance costs	(9,023)	(11,709)
Profit before taxation	149,177	164,713
Taxation - net	(47,155)	(55,552)
Profit after taxation	102,022	109,161
	----- (Rupees) ----- (Restated)	
Earnings per share - Basic and diluted	1.72	1.84

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.

MUHAMMAD MISBAH TUNIO
Chief Executive Officer

MUHAMMAD AYUB
Director



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**CONDENSED INTERIM STATEMENT OF
COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2014**

	30 September 2014	30 September 2013
	----- (Rupees in '000) -----	
Profit after tax for the period	102,022	109,161
Other comprehensive income:		
Unrealised gain on revaluation of available for-sale investments	7,986	3,790
Total comprehensive income for the period	<u>110,008</u>	<u>112,951</u>

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.

MUHAMMAD MISBAH TUNIO
Chief Executive Officer

MUHAMMAD AYUB
Director



**CONDENSED INTERIM CASH FLOW
STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2014**

	Note	30 September 2014	30 September 2013
----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flows generated from operations	8	52,984	57,232
Long-term deposits		59	-
Taxes paid		(47,643)	(33,635)
Finance cost paid		(9,177)	(12,102)
Net cash generated from operating activities		(3,777)	11,495
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital Expenditure		(45,464)	(7,078)
Proceeds from sale property, plant and equipment		103	17
Mark-up received		95,334	55,011
Proceed from sale of Investment		15,326	128,715
Net cash generated from investing activities		65,299	176,665
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term loan		(40,303)	(40,303)
Short Term Borrowings		54,408	-
Payments against lease obligations		(2,378)	(993)
Dividend paid		(116,950)	(132,513)
Net cash used in financing activities		(105,223)	(173,809)
Net increase in cash and cash equivalents		(43,701)	14,351
Cash and cash equivalents at the beginning of the period		83,213	37,245
Cash and cash equivalents at the end of the period		39,512	51,596

The annexed notes from 1 to 11 form an integral part of these interim financial statements.

MUHAMMAD MISBAH TUNIO
Chief Executive Officer

MUHAMMAD AYUB
Director



**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2014**

PARTICULARS	ISSUED, SUBSCRIBED AND PAID UP CAPITAL	RESERVE FOR ISSUE OF BONUS SHARES	CAPITAL RESERVES UNREALIZED GAIN ON AVAILABLE FOR SALE INVESTMENT	GENERAL RESERVES	UNAPPRO- PRIATED PROFIT	TOTAL
Balance as at June 30, 2013 - restated	411,499	6,098	2,733,589	340,516	3,074,105	3,491,701
Final dividend @ Rs 4/- per share for the year ended June 30, 2013	-	-	-	(164,600)	(164,600)	(164,600)
Transfer to general reserve	-	-	73,330	(73,330)	-	-
Bonus shares issued during period	82,300	-	-	(82,300)	(82,300)	-
Net profit for the period	-	-	-	109,161	109,161	109,161
Other comprehensive income	-	3,790	-	-	-	3,790
Total comprehensive income for the period	-	3790	-	109,161	109,161	112,951
Balance as at September 30, 2013 - restated	<u>493,799</u>	<u>9,888</u>	<u>2,806,919</u>	<u>129,446</u>	<u>2,936,366</u>	<u>3,440,152</u>
Balance as at June 30, 2014	493,799	22,563	2,806,919	346,677	3,153,596	3,699,958
Final dividend @ Rs 3.5/- per share for the year ended June 30, 2014	-	-	-	(172,830)	(172,830)	(172,830)
Transfer to general reserve	-	-	62,200	(62,200)	-	-
Bonus shares issued during the period	98,760	-	-	(98,760)	(98,760)	-
Net profit for the period	-	-	-	102,022	102,022	102,022
Other comprehensive income	-	7,986	-	-	-	7,986
Total comprehensive income for the period	-	7,986	-	102,022	102,022	110,008
Balance as at September 30, 2014	<u>592,559</u>	<u>30,549</u>	<u>2,869,119</u>	<u>114,909</u>	<u>2,984,028</u>	<u>3,607,136</u>

The annexed notes from 1 to 11 form an integral part of these interim financial statements.

MUHAMMAD MISBAH TUNIO
Chief Executive Officer

MUHAMMAD AYUB
Director



**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2014**

1. THE COMPANY AND ITS OPERATIONS

Security Papers Limited (the Company) is a public limited company incorporated and domiciled in Pakistan. The Company is listed on the Karachi Stock Exchange. The registered office and manufacturing plant of the company is situated at Jinnah Avenue, Malir Halt, Karachi, Pakistan. The Company manufactures and sells specialised papers for banknote and non-banknote security documents.

2. BASIS OF PREPARATION

- 2.1. This condensed interim financial information of the Company for the quarter ended September 30 2014 has been prepared in accordance with approved accounting standards as applicable in Pakistan for financial reporting. This condensed interim financial information does not include all of the information required for full annual financial statements, and should therefore be read in conjunction with the audited annual financial statements of the Company as at and for the year ended June 30 2014.
- 2.2. This condensed interim financial information is presented in Pakistan Rupees, which is the Company's functional and presentation currency and all financial information presented has been rounded off to the nearest thousand.
- 2.3. This condensed financial information is unaudited and is being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial information are the same as those applied in the preparation of the financial statements of the Company as at and for the year ended June 30, 2014.

Amendments to certain existing standards and new interpretation on approved accounting standards effective during the period were not relevant to the Company's operations and did not have any impact on the accounting policies of the Company.



	Note	30 September 2014 ----- (Rupees in '000) ----- (Unaudited)	30 June 2014 ----- Audited)
4. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	4.1	1,770,439	1,811,153
Capital work-in-progress	4.2	154,784	118,583
		1,925,223	1,929,736
4.1. Operating assets			
Opening book value		1,811,153	1,958,062
Additions during the period / year	4.1.1	9,262	50,545
Disposals during the period / year at book value		(13)	(475)
Depreciation charged during the period / year		(49,963)	(196,979)
		1,770,439	1,811,153
4.1.1. Additions during the period / year			
Land and building		1,273	1,373
Plant and machinery		128	12,174
Spare parts and standby equipment		2,662	4,275
Electric, water and gas installations		3,313	5,990
Laboratory equipment		-	2,437
Furniture and fixtures		-	12,989
Office and security equipment		-	3,041
Computers and accessories		554	924
Motor vehicles - owned		50	322
Motor vehicles - leased		1,282	7,020
		9,262	50,545
4.2. Capital work-in-progress			
Opening balance		118,583	402
Additions during the period / year		37,482	123,905
Transferred to operating fixed assets		(1,282)	(5,724)
		154,784	118,583
5. INVESTMENTS			
Available for sale			
Term finance certificates			
B.R.R Guardian Modaraba			
2,996 (June 30, 2014: 3,149) units of			
Rs 5,000 each	5.1	11,241	11,808
Units of mutual funds		430,549	222,563
		441,790	361,905
Held to maturity			
Treasury bills		147,590	361,905
		589,380	596,276



5.1. The term finance certificates originally had a term of 5 years and carried profit at the rate of six months KIBOR plus 1.3% (effective annual rate of 15.65%) payable semi-annually with maturity on July 07, 2014. On January 07, 2011, the borrower defaulted in payment of interest and entered into a restructuring agreement with the TFC holder. As per the revised terms, the principal amount will be redeemed in varying monthly principal installments commencing from August 07, 2011 and ending on December 07, 2016. The certificates now carry markup at the rate of one month KIBOR (effective annual rate of 10.21%) payable on monthly basis along with the accrued profit before the restructuring. The fair value of the above investment has been valued using rate notified by Mutual Fund Association of Pakistan.

	30 September 2014	30 June 2014
	----- (Rupees in '000) -----	
	(Unaudited)	Audited)
6. LONG-TERM LOAN - secured		
Opening balance	323,451	484,665
Long-term loan obtained during the period / year	-	-
Repayments during the period / year	<u>(40,303)</u>	<u>(161,214)</u>
	283,148	323,451
Current maturity - shown under current liabilities	<u>(161,214)</u>	<u>(161,214)</u>
	<u>121,934</u>	<u>162,237</u>
7. CONTINGENCIES AND COMMITMENTS		
7.1. Contingencies		
Income Tax	10,221	10,221
Claims against the Company not acknowledged	<u>1,120</u>	<u>1,120</u>
	<u>11,341</u>	<u>11,341</u>
7.2. Commitments		
Capital expenditure contracted for but not incurred	3,060	7,651
Commitments against letters of credit	<u>74,947</u>	<u>96,944</u>
	<u>78,007</u>	<u>104,595</u>
	Quarter ended	
	30 September 2014	30 September 2013
	----- (Rupees in '000) -----	
8. CASH GENERATED FROM OPERATIONS		
Profit before taxation	149,177	164,713
Adjustments for:		
Depreciation	49,963	49,044
Gain on disposal of property, plant and equipment	(94)	(17)
Reversal of impairment on term finance certificates	(189)	(-)
Amortisation of discount on PIB	(2,386)	(1,203)
Mark-up on investments	(51,203)	(41,674)
Mark-up on bank deposits and saving accounts	(852)	(1,151)
Mark-up on security deposits	(141)	(141)
Finance costs	9,023	11,709
Working capital changes	<u>(100,314)</u>	<u>(124,048)</u>
	<u>(96,192)</u>	<u>(107,481)</u>
	<u>52,984</u>	<u>57,232</u>



9. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated companies, directors, key management personnel and retirement benefit funds. The Company has a policy whereby all transactions with related parties are based on commercial terms. Transactions with related parties essentially entail sale of goods to the aforementioned concerns. However, contributions to staff retirement benefits are made in accordance with the terms of the contribution plan. The significant transactions with related parties carried out during the three months ended September 30 2014 and the balances outstanding as at September 30 2014 were as follows:

	30 September 2014	30 September 2013
	----- (Rupees in '000) -----	
Associates		
- Sale of goods to Pakistan Security Printing Corporation (Private) Limited	<u>462,885</u>	<u>601,134</u>
- Receivable from Pakistan Security Printing Corporation (Private) Limited - net	<u>352,129</u>	<u>360,880</u>
Key management personnel		
- Salaries and other employee benefits	<u>23,846</u>	<u>26,142</u>

10. DATE OF AUTHORISATION OF ISSUE

These condensed interim financial statements were authorised for issue on 24 October 2014 by the Board of Directors of the Company.

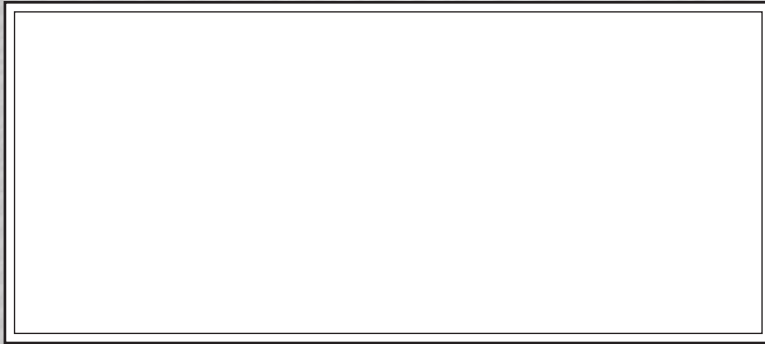
11. GENERAL

All figures have been rounded off to the nearest thousand of rupees, unless otherwise stated.

MUHAMMAD MISBAH TUNIO
Chief Executive Officer

MUHAMMAD AYUB
Director

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