Security Papers LIMITED

OHSAS 18001: 2007, ISO 9001:2008 & ISO 14001:2004 Certified

Half Yearly Report 31 December 2016

OHSAS 18001: 2007, ISO 9001:2008 & ISO 14001:2004 Certified

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COMPANY INFORMATION

BOARD OF DIRECTORS

Chairman

Sheikh Mohammad Aijaz Akhtar	-	Non-executive & Independent

Directors

Dr. Abolghassem Jamshidi - Iran	-	Non-executive
Mrs. Ayla Akin - Turkey	-	Non-executive
Mr. Jamal Nasim	-	Non-executive
Mr. Muhammad Ayub	-	Non-executive
Mr. Shoaib Mir	-	Non-executive
Mr. Shamsuddin Soomro	-	Non-executive
Mr. Rauf Ahmad	-	Non-executive
Mr. Naveed Ehtesham	-	Non-executive

Chief Executive Officer

Mr. Muhammad Misbah Tunio	-	Executive

BOARD AUDIT COMMITTEE

Mr. Muhammad Ayub	-	Chairman
Sheikh Mohammad Aijaz Akhtar	-	Member
Dr. Abolghassem Jamshidi	-	Member
Mr. Shamsuddin Soomro	-	Member
Mr. Rauf Ahmad	-	Member
Mr. Babar Aijaz	-	Secretary

BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Jamal Nasim	-	Chairman
Mr. Muhammad Misbah Tunio	-	Member
Mr. Shoaib Mir	-	Member
Qazi Syed Imran Azam	-	Secretary

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

BANKERS

National Bank of Pakistan
NIB Bank Limited
Habib Metropolitan Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Meezan Bank Limited

AUDITORS

EY Ford Rhodes
Chartered Accountants

TAX CONSULTANTS

A. F. Ferguson & Co.
Chartered Accountants

LEGAL ADVISORS

Mohsin Tayebaly & Co.
Advocates & Legal Consultants

REGISTERED OFFICE

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E-mail: comsec@security-papers.com

SHARE REGISTRARS

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Fax: (+9221) 34380106
E-mail: info.shares@famco.com.pk

MILLS

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WEB SITE

http://security-papers.com

DIRECTORS' REPORT

The Directors are pleased to present the un-audited financial information for the half year ended 31 December 2016.

BUSINESS AND PERFORMANCE REVIEW

The Company produced 1,401 tons of finished paper during the half year under review as compared to 1,333 tons in the corresponding period of previous year. Net sales reported to be Rs 1,420 Million during the half year under review as compared to Rs 1,361 Million in the corresponding period of preceding year thereby registering increase of Rs 59 Million (i.e. 4 %). The Company achieved sales volume of 1,462 tons as against 1,401 tons during the corresponding period of preceding year.

Gross profit reported to be Rs 529 Million as against Rs 508 Million in the corresponding period of preceding year showing an increase of Rs 21 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 597 Million and Rs 443 Million respectively as against Rs 495 Million and Rs 347 Million respectively during the corresponding period of preceding year.

FORWARD LOOKING INFORMATION

Going forward there are considerable macro economic, political and social challenges, we continue to 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

SHEIKH MOHAMMAD AIJAZ AKHTAR
Chairman

Karachi, 27 January 2017

EY
Building a better working world

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Auditors' report to the members on review of interim financial information

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Security Papers Limited** (the Company) as at **31 December 2016**, the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six-months period then ended (here-in-after referred to as "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this 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 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 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 interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

EY Ford Rhodes
Chartered Accountants

Review Engagement Partner: Shariq Ali Zaidi

Date: 27 January 2017

Karachi

Security Papers LIMITED

Condensed Interim Balance Sheet

As at December 31, 2016

	Note	December 31, 2016 (Un-Audited)	June 30, 2016 (Audited)
ASSETS		------ (Rupees in '000) ------	
NON-CURRENT ASSETS			
Property, plant and equipment	5	**1,643,343**	1,710,120
Long-term deposits		**15,594**	15,514
Long-term investments	6	**775,949**	774,229
		2,434,886	2,499,863
CURRENT ASSETS			
Stores, spares and loose tools		**121,737**	108,025
Stock-in-trade		**457,834**	487,006
Trade debts - considered good, unsecured		**506,897**	310,892
Advances, deposits, prepayments and other receivables		**69,658**	34,973
Accrued mark-up		**42,537**	75,523
Investments	7	**1,564,392**	1,608,966
Cash and bank balances		**187,973**	147,365
		2,951,028	2,772,750
TOTAL ASSETS		**5,385,914**	5,272,613
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**639,523**	552,525
Accrued mark-up		**63**	325
Current maturity of long-term loan	8	**8,433**	40,037
Current portion of liabilities against assets subject to finance lease		**5,027**	4,685
Taxation - net		**148,957**	135,322
		802,003	732,894
NON-CURRENT LIABILITIES			
Long-term loan	8	**-**	1,212
Liabilities against assets subject to finance lease		**12,354**	13,990
Deferred taxation - net		**256,518**	275,028
		268,872	290,230
TOTAL LIABILITIES		**1,070,875**	1,023,124
CONTINGENCIES AND COMMITMENTS	9		
NET ASSETS		**4,315,039**	4,249,489
FINANCED BY:			
Authorised share capital 70,000,000 (June 30, 2016: 70,000,000) Ordinary shares of Rs 10/- each		**700,000**	700,000
Issued, subscribed and paid-up capital		**592,559**	592,559
General reserves		**3,209,919**	3,023,489
Unappropriated profit		**444,370**	631,815
Re-measurement of investments classified as available for sale		**68,191**	1,626
SHAREHOLDERS' EQUITY		**4,315,039**	4,249,489

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

MUHAMMAD MISBAH TUNIO
Chief Executive Officer

MUHAMMAD AYUB
Director

Condensed Interim Profit and Loss Account (Un-audited)
For the Half Year Ended December 31, 2016

	Half-year ended		Quarter ended	
	December 31, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
	------------------------ (Rupees in '000) ------------------------			
Sales - net	**1,419,813**	1,361,039	**764,513**	704,357
Cost of sales	**(891,085)**	(852,979)	**(479,870)**	(449,544)
Gross profit	**528,728**	508,060	**284,643**	254,813
Administration and general expenses	**(109,661)**	(98,099)	**(58,467)**	(49,175)
Other income	**228,247**	133,467	**186,880**	38,318
Other charges	**(47,941)**	(40,917)	**(30,657)**	(18,581)
Finance costs	**(2,485)**	(7,438)	**(980)**	(3,412)
Profit before taxation	**596,888**	495,073	**381,419**	221,963
Taxation				
- current	**(173,659)**	(160,625)	**(97,058)**	(77,094)
- prior	**1,667**	4,186	**(182)**	4,186
- deferred	**18,510**	8,157	**5,528**	1,083
	(153,482)	(148,282)	**(91,712)**	(71,825)
Profit after taxation	**443,406**	346,791	**289,707**	150,138
	------------------------ Rupees ------------------------			
Earnings per share - basic and diluted	**7.48**	5.85	**4.89**	2.53

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

MUHAMMAD MISBAH TUNIO
Chief Executive Officer

MUHAMMAD AYUB
Director

Condensed Interim Statement of Comprehensive Income (Un-audited)
For the Half Year Ended December 31, 2016

	Half-year ended		Quarter ended	
	December 31, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
	------------------------- (Rupees in '000) -------------------------			
Net profit for the period	**443,406**	346,791	**289,707**	150,138
Other comprehensive income:				
Other comprehensive income to be reclassified to profit and loss account in subsequent periods				
Unrealised appreciation/(diminution) during the period on remeasurement of investment classified as 'available-for-sale'	**229,202**	(31,388)	**176,307**	22,336
Realised(appreciation)/ diminutionduring the period on redemption of investments classified as 'available for sale'	**(162,637)**	(6,102)	**(157,840)**	13,594
	66,565	(37,490)	**18,467**	35,930
Total comprehensive income for the period	**509,971**	309,301	**308,174**	186,068

The annexed notes from 1 to 13 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 Half Year Ended December 31, 2016

	Note	Half-year ended December 31, 2016	Half-year ended December 31, 2015
		------ (Rupees in '000) ------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flows generated from operations	10	**310,467**	530,621
Long-term deposits		**(80)**	(42)
Taxes paid		**(160,206)**	(138,641)
Finance costs paid		**(2,747)**	(7,910)
Net cash generated from operating activities		**147,434**	384,028
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(37,051)**	(18,198)
Sale proceeds on disposal of property, plant and equipment		**1,260**	195
Redemption of Sukuk term finance certificates		**429**	1,547
Dividend received from mutual fund		**-**	25,368
Realized capital gain on mutual fund		**162,637**	6,102
Mark-up received		**93,295**	89,254
Redemption of investments - net		**113,843**	(78,832)
Net cash from investing activities		**334,413**	25,436
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment against lease obligations		**(4,286)**	(2,114)
Repayment of long-term loan		**(32,816)**	(71,390)
Short term borrowings		**-**	1,617
Dividend paid		**(404,137)**	(321,075)
Net cash used in financing activities		**(441,239)**	(392,962)
Net increase in cash and cash equivalents		**40,608**	16,502
Cash and cash equivalents at the beginning of the period		**147,365**	114,543
Cash and cash equivalents at the end of the period		**187,973**	131,045

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

MUHAMMAD MISBAH TUNIO
Chief Executive Officer

MUHAMMAD AYUB
Director

Condensed Interim Statement of Changes in Equity (Un-audited)
For the Half Year Ended December 31, 2016

	Issued subscribed and paid-up capital	General reserve	Unappropriated profit	Surplus on re-measurement of investments classified as available for sale	Total Equity
	Rupees in '000				
Balance as at June 30, 2015	592,559	2,873,119	500,140	54,352	4,020,170
Final dividend @ Rs 6/- per share for the year ended June 30, 2015	-	-	(355,536)	-	(355,536)
Transfer to general reserve	-	150,370	(150,370)	-	-
Net profit for the period	-	-	346,791	-	346,791
Other comprehensive income	-	-	-	(37,490)	(37,490)
Total comprehensive income for the period	-	-	346,791	(37,490)	309,301
Balance as at December 31, 2015	592,559	3,023,489	341,025	16,862	3,973,935
Balance as at June 30, 2016	**592,559**	**3,023,489**	**631,815**	**1,626**	**4,249,489**
Final dividend @ Rs 7.50/- per share for the year ended June 30, 2016	-	-	(444,421)	-	(444,421)
Transfer to general reserve	-	186,430	(186,430)	-	-
Net profit for the period	-	-	443,406	-	443,406
Other comprehensive income	-	-	-	66,565	66,565
Total comprehensive income for the period	-	-	443,406	66,565	509,971
Balance as at December 31, 2016	**592,559**	**3,209,919**	**444,370**	**68,191**	**4,315,039**

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

MUHAMMAD MISBAH TUNIO
Chief Executive Officer

MUHAMMAD AYUB
Director

Notes to the Condensed Interim Financial Statements (Un-audited)
For the Half Year Ended December 31, 2016

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 Pakistan Stock Exchange Limited. 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 Statement of Compliance

These condensed interim financial statements of the Company for the half year ended December 31, 2016 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

These condensed interim financial statements are un-audited but subject to limited scope review by the auditors and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984. These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2016.

The figures of the condensed interim profit and loss account for the quarter ended September 30, 2016 and September 30, 2015 and notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the cumulative figures for the half year ended December 31, 2016 and December 31, 2015

2.2 Functional and presentation currency

These condensed interim financial statements are presented in Pakistan Rupees which is the Company's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended June 30, 2016 except for the adoption of new and amended standards and interpretations as follows:

New / Revised Standards, Interpretations and Amendments

The Company has adopted the following amendments to IFRS which became effective for the current period:

IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements: Investment Entities: Applying the Consolidation Exception (Amendment)
IFRS 11 - Joint Arrangements: Accounting for Acquisition of Interest in Joint Operation (Amendment)
IAS 1 - Presentation of Financial Statements: Disclosure Initiative (Amendment)
IAS 16 - Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Method of Depreciation and Amortization (Amendment)
IAS 16 - Property, Plant and Equipment & IAS 41 Agriculture: 'Agriculture - Bearer Plants Amendment)
IAS 27 - Separate Financial Statements: Equity Method in Separate 'Financial Statements (Amendment)

In addition to the above standard and interpretation, improvements to various accounting standards have also been issued by the IASB and are generally effective for current period. The adoption of the above amended standard / improvement and interpretation did not have any material effect on the condensed interim financial statements.

4. ACCOUNTING ESTIMATES AND FINANCIAL RISK MANAGEMENT

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

In preparing these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and areas where assumptions and estimates are significant are same as those applied to the financial statements as at and for the year ended June 30, 2016. The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2016.

	Note	**December 31, 2016 (Un-audited)**	June 30, 2016 (Audited)
		------ (Rupees in '000) ------	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	5.1	**1,620,322**	1,704,667
Capital work-in-progress	5.2	**23,021**	5,453
		1,643,343	1,710,120
5.1 Operating assets			
Opening book value		**1,704,667**	1,843,930
Additions during the period / year	5.1.1	**19,484**	73,558
Disposals during the period / year at book value		**(2)**	(364)
Depreciation charged during the period / year		**(103,827)**	(212,457)
		1,620,322	1,704,667
5.1.1 Additions during the period / year			
Land and building		**2,390**	1,661
Plant and machinery		**333**	35,413
Spare parts and standby equipment		**-**	2,736
Electric, water and gas installations		**13,044**	16,388
Laboratory equipment		**-**	4,029
Furniture and fixtures		**-**	44
Office and security equipment		**600**	2,075
Computers and accessories		**25**	1,618
Motor vehicles - owned		**100**	426
Motor vehicles - leased		**2,992**	9,168
		19,484	73,558
5.2 Capital work-in-progress			
Opening balance		**5,453**	3,684
Additions during the period / year		**22,326**	39,997
Transferred to operating fixed assets		**(4,758)**	(38,228)
		23,021	5,453

	Note	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
6. LONG - TERM INVESTMENT		------ (Rupees in '000) ------	
Held to maturity			
Pakistan Investment Bond - 5 years		**775,949**	1,472,123
Less: Current Maturity	7	**-**	(697,894)
Long term portion		**775,949**	774,229

6.1 These represent investments in Pakistan Investment Bonds (PIB's) carrying profit at a rate of 11.25% to 11.5% (effective yield of 11.97% to 12.05%) per annum with maturity in July 2018. The profit payments are made semi annually.

	Note	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
7. INVESTMENTS		------ (Rupees in '000) ------	
Held to maturity			
Pakistan Investment Bonds	6	**-**	697,894
Available for sale			
Term finance certificates			
B.R.R Guardian Modaraba			
1,592 (June 30, 2016: 1678) units of Rs.5,000 each	7.1	**5,969**	6,291
Units of mutual funds		**1,558,423**	904,781
		1,564,392	1,608,966

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 commencing 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.

	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
	------ (Rupees in '000) ------	
8. LONG-TERM LOAN- secured		
Opening balance	**41,249**	162,237
Repayments during the period / year	**(32,816)**	(120,988)
	8,433	41,249
Current maturity - shown under current liabilities	**(8,433)**	(40,037)
	-	1,212

8.1 The Company has acquired facility amounting to Rs 114.147 million (30th June 2016: Rs 114.147 million) from Bank Al Habib Limited for purchase & installation of plant and machinery for balancing, modernisation and replacement of existing machinery. It carries mark-up at three months Karachi Inter Bank Offer Rate (KIBOR) at effective annual rate of 6.05% (30th June 2016: 6.73%).

8.2 These facilities are secured by Pakistan Investment Bond of the Company having face value of Rs 785 million (30th June 2016: Rs 950 million). The facility availed is re-payable in 5 years in 20 equal quarterly installments starting from the date of disbursment. The Company has an option to prepay the loan without incurring any penalty.

9. CONTINGENCIES AND COMMITMENTS

There are no major changes in the status of contingencies as reported in the annual financial statements for the year ended June 30, 2016.

	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
9.1 Commitments	------ (Rupees in '000) ------	
Capital expenditure contracted for but not incurred	**6,448**	5,499
Commitments against letters of credit	**30,307**	55,639
	36,755	61,138

10. CASH GENERATED FROM OPERATIONS

	Half-year ended December 31, 2016	Half-year ended December 31, 2015
	------ (Rupees in '000) ------	
	---------- (Un-audited) ----------	
Profit before taxation	**596,888**	495,073
Adjustments for:		
Depreciation	**103,827**	106,475
Gain on disposal of fixed asset	**(113)**	(195)
Capital gain on redemption of mutual fund	**(162,637)**	(6,102)
Provision for WWF-Prior year	**1,848**	-
Reversal of Impairment on BRR Guardian Modarba	**(108)**	(516)
Dividend income on mutual funds	**-**	(25,368)
Amortisation of discount on PIB	**(2,904)**	(5,398)
Mark up on Investments	**(52,310)**	(86,331)
Mark up on bank deposits and saving account	**(7,572)**	(3,271)
Mark up on security deposits	**(422)**	(284)
Finance costs	**2,485**	7,438
Profit before working capital changes	**478,978**	481,521
Working capital changes		
(Increase) in current assets	**(215,226)**	91,922
Increase in current liabilities	**46,715**	(42,822)
Cash flows generated from operations	**310,467**	530,621

11. 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 six months ended December 31, 2016 and the balances outstanding as at December 31, 2016 were as follows:

	Half-year ended	
	December 31, 2016	December 31, 2015
	------ (Rupees in '000) ------	
	---------- (Un-audited) ----------	
Associates		
- Sale of goods to Pakistan Security Printing Corporation (Private) Limited	**1,410,821**	1,269,461
- Receivable from Pakistan Security Printing Corporation (Private) Limited - net	**499,219**	229,443
Key management personnel		
- Salaries and other employee benefits	**69,616**	56,617

12. DATE OF AUTHORISATION OF ISSUE

These condensed interim financial statements were authorised for issue on 27 January 2017 by the Board of Directors of the Company.

13. 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

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, the Securities and Exchange Commission of Pakistan (SECP) vide Notification S.R.O. 275(I)/2016 dated 31st March 2016 read with Notification S.R.O. 19(I)/2014 dated 10th January 2014 and Notification S.R.O. 831(1)/2012 dated July 5, 2012 required 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).

Henceforth, issuance of dividend warrant(s) will be subject to submission of CNIC (individuals) / NTN (corporate entities) by shareholders.

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

(i) Pursuant to the provisions of the Finance Act 2016 effective July 1, 2016, 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 12.5%
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 @ 12.5% 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 12.5%

(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:

Company Name	Folio/CDS Account #	Total Shares	Principal Shareholder		Joint Shareholder	
			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 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/problem/information, the investors may contact the Company Secretary at phone: 021-99248285 and email address comsec@security-papres.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. Dividend Mandate (Optional)

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan (SECP) vide Circular No. 18 of 2012 dated June 05, 2012, a shareholder may, if so desire, direct the Company to pay dividend through his/her/its bank account under Section 250 of the Companies Ordinance, 1984.

Further, transferee of shares may exercise option for dividend mandate by using the revised "Form of Transfer Deed" available on Company's website. The revised form of transfer deed will enable the transferees to receive cash dividend directly in their bank accounts, if such transferee provides particulars of its bank account which he/she/it desires to be used for credit of cash dividend.

If they so desires the shareholders have the option to seek the dividend mandate by using the standardized "Dividend Mandate Form" available on Company's website http://www.security-papers.com.

4. Payment of Cash Dividend Electronically (Optional)

The SECP has initiated e-dividend mechanism through its letter No: 8(4) SM/CDC/2008 dated April 05, 2013. In order to avail benefits of e-dividend (such as instant credit of dividends, no chances of dividend warrants getting lost in the post, undelivered or delivered to the wrong address etc.) shareholders are hereby advised to provide details of their bank mandate specifying: (i) title of account, (ii) account number, (iii) bank name, (iv) branch name, code and address.

5. Consent for Electronic Transmission of Audited Financial Statements & Notices (Optional)

The Securities and Exchange Commission of Pakistan (SECP) through its Notification S.R.O. 787(I)/2014 dated 8th September 2014 has permitted companies to circulate Audited Financial Statements along with Notice of Annual General Meeting to its members through e-mail. Accordingly, members are hereby requested to convey their consent and e-mail address for receiving Audited Financial Statements and Notice through e-mail. In order to avail this facility a Standard Request Form is available at the 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	**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 E-mail: info.shares@famco.com.pk

Karachi
27 January 2017

Rizwan Ul Haq Khan
Chief Financial Officer &
Company Secretary

BOOK POST

PRINTED MATTER

UNDER POSTAL CERTIFICATE

Security Papers LIMITED

OHSAS 18001: 2007, ISO 9001:2008 & ISO 14001:2004 Certified

REGISTERED OFFICE & SHARES DEPARTMENT:

Jinnah Avenue, Malir Halt, Karachi-75100.

Ph: (+9221) 99248285 Fax: (+9221) 99248286

Factory: Jinnah Avenue, Malir Halt, Karachi-75100

Ph: (+9221) 99248536-37 Fax: (+9221) 99248616

Designed by:

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