

ANNUAL  
REPORT | 2022



*Security Papers*  
LIMITED

ISO 9001:2015, ISO 14001:2015 & ISO 45001:2018 Certified





*Security Papers*  
LIMITED

ISO 9001:2015, ISO 14001:2015 & ISO 45001:2018 Certified

*Building Trust*

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# ABOUT THE REPORT

The Annual Report 2022 (the Report) concisely depicts the general picture of the Company including how it creates value through its normal course of business in the context of its strategy, opportunities and risks and gives stakeholders a holistic view of the organization’s financial and non-financial performance for the financial year ended June 30, 2022. The Report integrates the following sections:

- Organizational Overview and External Environment
- Chairman’s Reviews
- Directors’ Report
- Report of the Audit Committee
- Statement of Compliance with Code of Corporate Governance (CCG)
- Governance
- Sustainability Report and Corporate Social Responsibility
- Strategy and Resource Allocation
- Risk Management
- Striving for Excellence in Corporate Reporting
- Performance and Position
- Financial Statements
- Stakeholder Relationship and Engagement

Our Annual Report for 2022 aims to present itself as a consolidated document to assist our readers in assessing our business by providing information about state of affairs, performance and the outlook of SPL. It fairly addresses the material matters pertaining to the long-term sustainability of the Company and its integrated performance. This Report comprises of strategic and operational review by the Board of Directors which encompasses financial reviews and analyses, overview of governance, risk management and internal control frameworks.

Our value creating business model supported by the outputs, outcomes and impacts of various forms of capitals associated

with business activities, and how we look forward towards business opportunities, has also been explained. The Board has endorsed and authorized the release of the report on September 29, 2022.

## Scope and Boundary

Our Report covers the period from July 1, 2021 to June 30, 2022 and subsequent events up to the issuance of this report have also been explained in various sections of the Report. We aim to provide a balanced review of our performance, communicating relevant material information in a concise but comprehensive manner.

This Report has been prepared in compliance with the following frameworks:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);
- Provision of and directives issued under the Companies Act, 2017.

Chairman’s Review, Directors’ Report, Audit Committee’s Report, Report on Compliance of Code of Corporate Governance (CCG), Sustainability Report and other information contained in this Report have been structured in compliance with the requirements of Companies Act 2017, CCG, Listing Regulations of the Pakistan Stock Exchange (PSX) and other local and international good governance practices as promoted by ICAP/ICMAP, PSX, MAP etc. There have not been any significant changes to the scope, boundary and reporting basis since the last reporting date as of June 30, 2021. Where provisions of and directives issued under the Act differ from the IFRSs, the provisions of and directives issued under the Act have been followed.

## External Assurance / Review

Description of the Report	External Reviews / Assurances
Review Report on the Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019	KPMG Taseer Hadi & Co., Chartered Accountants
Independent Auditor’s Report on the Audit of Financial Statements	KPMG Taseer Hadi & Co., Chartered Accountants
Independent External Review of Sustainability Report	Damsel Consulting (Pvt.) Ltd.

## Material Topics



Product quality and innovation



Water



Regulatory compliance



Emissions



Economic performance



Climate & energy



Occupational health and safety



Corporate governance



Employee development



Corporate social responsibility



Circular economy

# Organizational Overview and External Environment



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# THE COMPANY PROFILE

Security Papers Limited (“SPL” or “the Company”) was incorporated in 1965 as a Private Limited Company and became a Public Limited Company in 1967 with the vision to be a recognized and accepted as a Security Paper Producing Organization providing the highest quality paper with numerous security features to its customers. The Company started its commercial production in 1969.

The new state-of-the-art Paper Machine (PM-2) was commissioned in 2003. The PM-2 is producing high-quality specialized Banknotes and other Security Paper of international standard with custom made security features including 3-dimensional tonal variation watermarks and numerous other counterfeit deterrence capabilities.

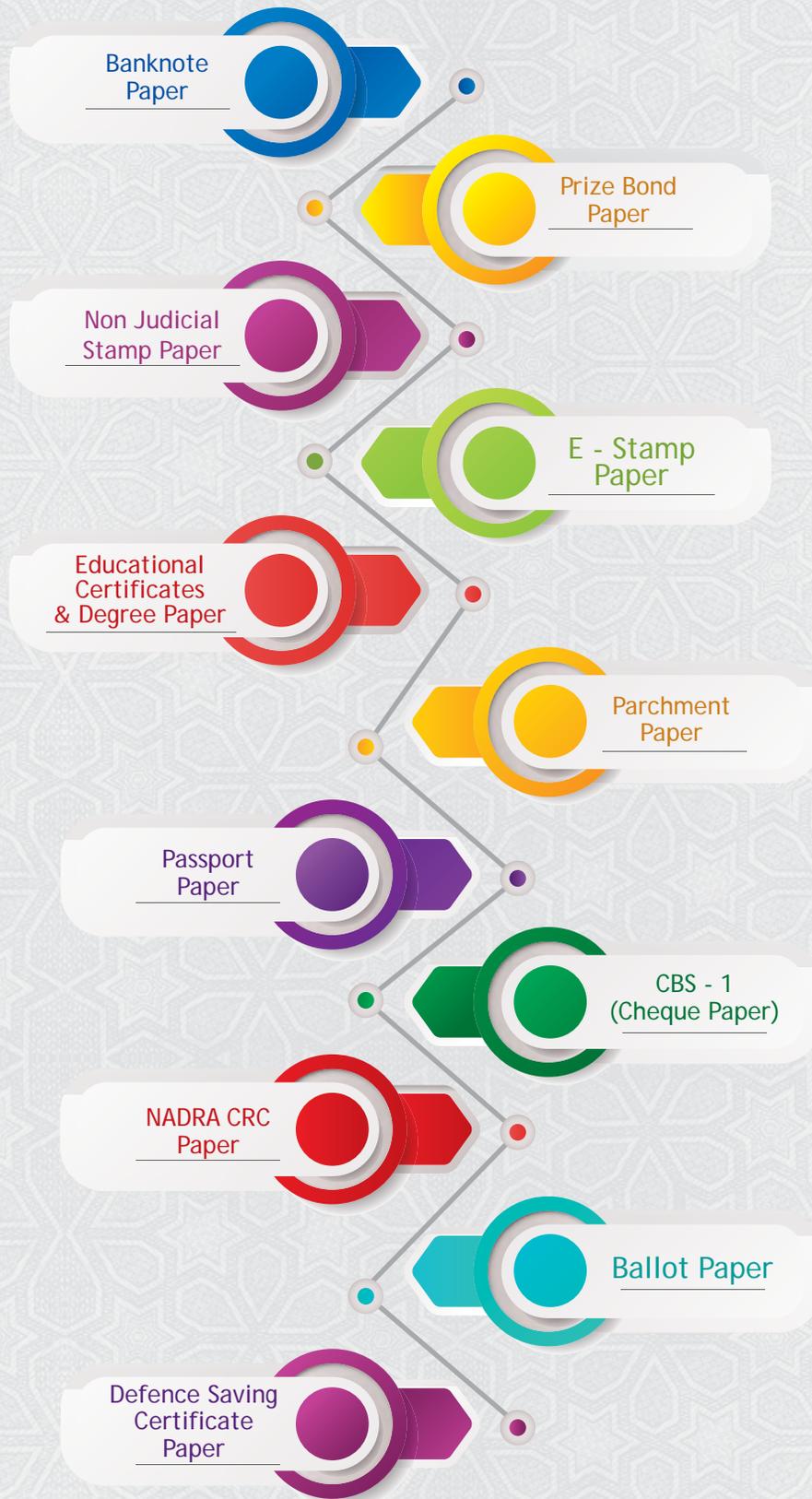
## Principle Business Activity

Security Papers Limited is a national strategic industrial organization engaged in the business of manufacturing security paper for Banknotes and other Security Paper products such as Prize Bonds, Defense Savings Certificates, Non-Judicial Stamp Papers, Passport Papers, Cheque Book, Certificate for Educational Boards and Degree for Universities and Ballot Paper. Due to its strategic nature of operations, the Company has been classified as Category 1A (KPID) Key Point Installation by the Government of Pakistan.

The production process primarily involves local input of cotton comber and water as raw materials. The Pakistan Security Printing Corporation (Pvt.) Limited (PSPC) is the main customer of SPL. Over the years, the Company has grown substantially and is expanding its production capacities to cater to the ever-growing requirements for security paper products. SPL strives to remain an efficient and low-cost producer of security paper for its customers. To meet current and future technological challenges, SPL has been regularly investing in upgrading its manufacturing facilities to ensure continuous supply of high-quality Banknotes and other security papers to its customers.

Being self-reliant, the Company is also saving a substantial amount of foreign exchange, which would have been otherwise required for the import of such sensitive paper. SPL has been gradually enhancing the paper production capacity which has increased from 2,500 tons to 4,500 tons, extendable up to 5,000 tons per annum.

# PRODUCT PORTFOLIO

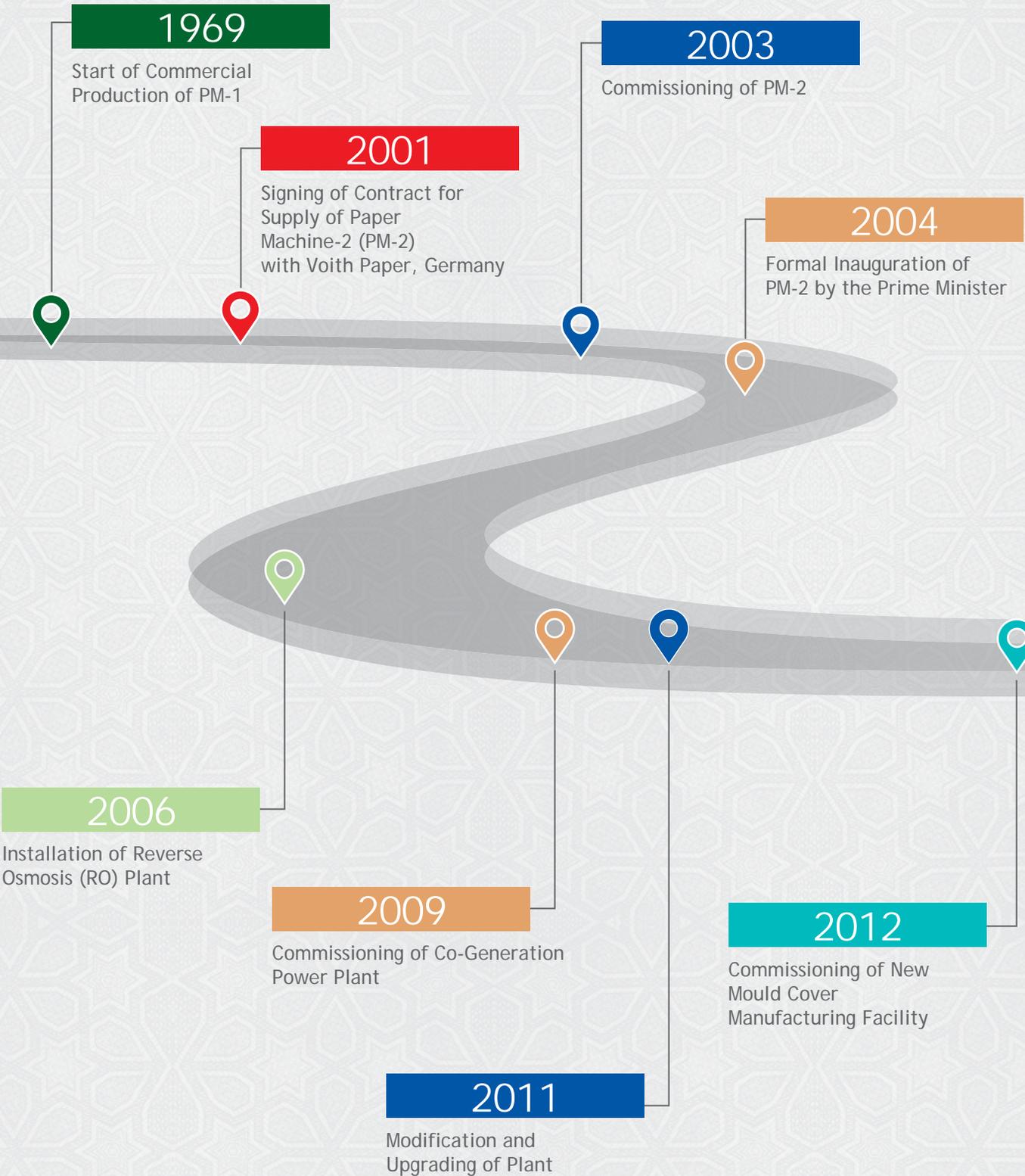


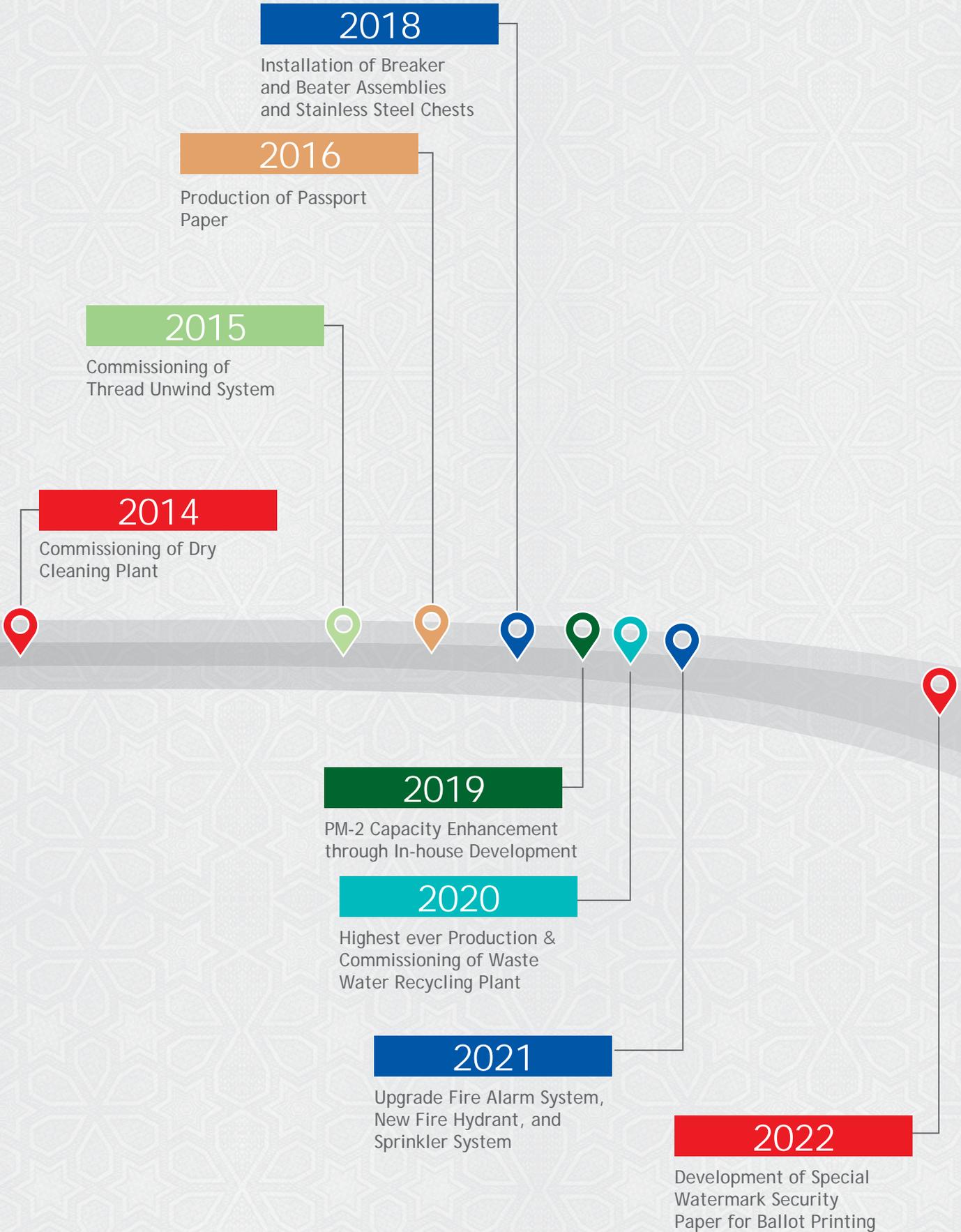
# GEOGRAPHICAL PRESENCE

The geographical presence of the Company is in Karachi, Pakistan, while its customers are located in Karachi, Lahore, Gujranwala, Faisalabad, Islamabad, Peshawar and other major cities of the country.

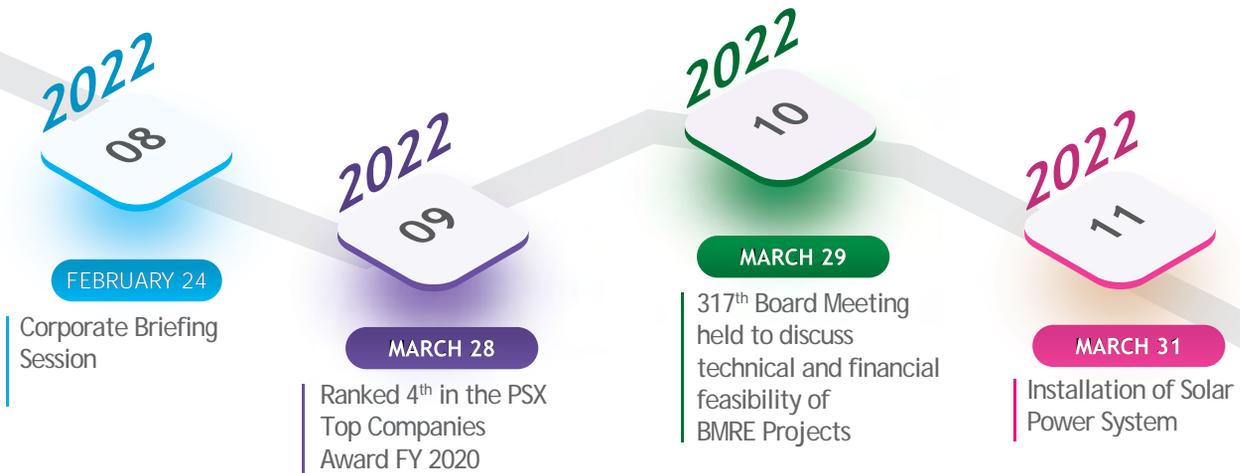


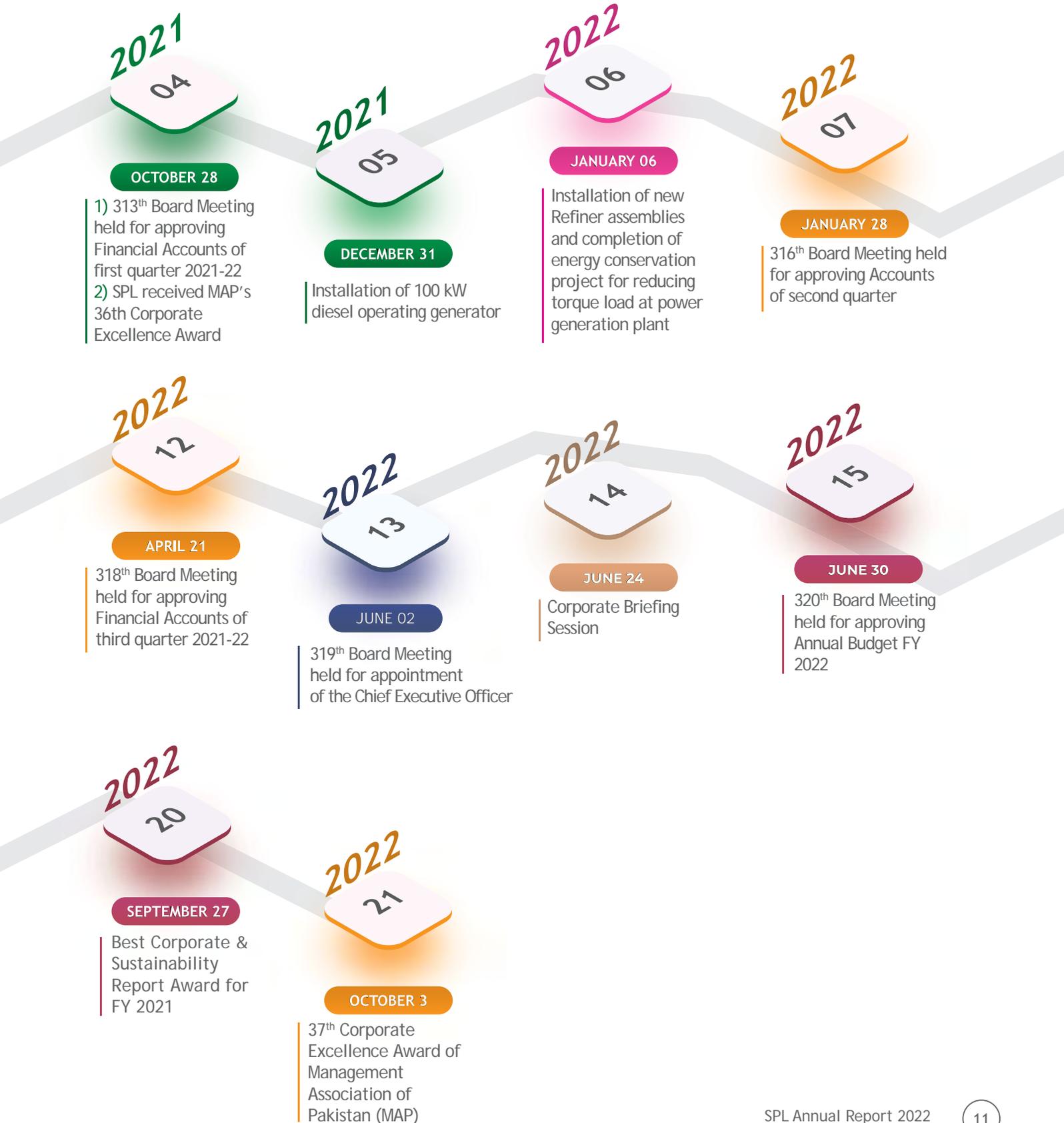
# HISTORY OF MAJOR EVENTS

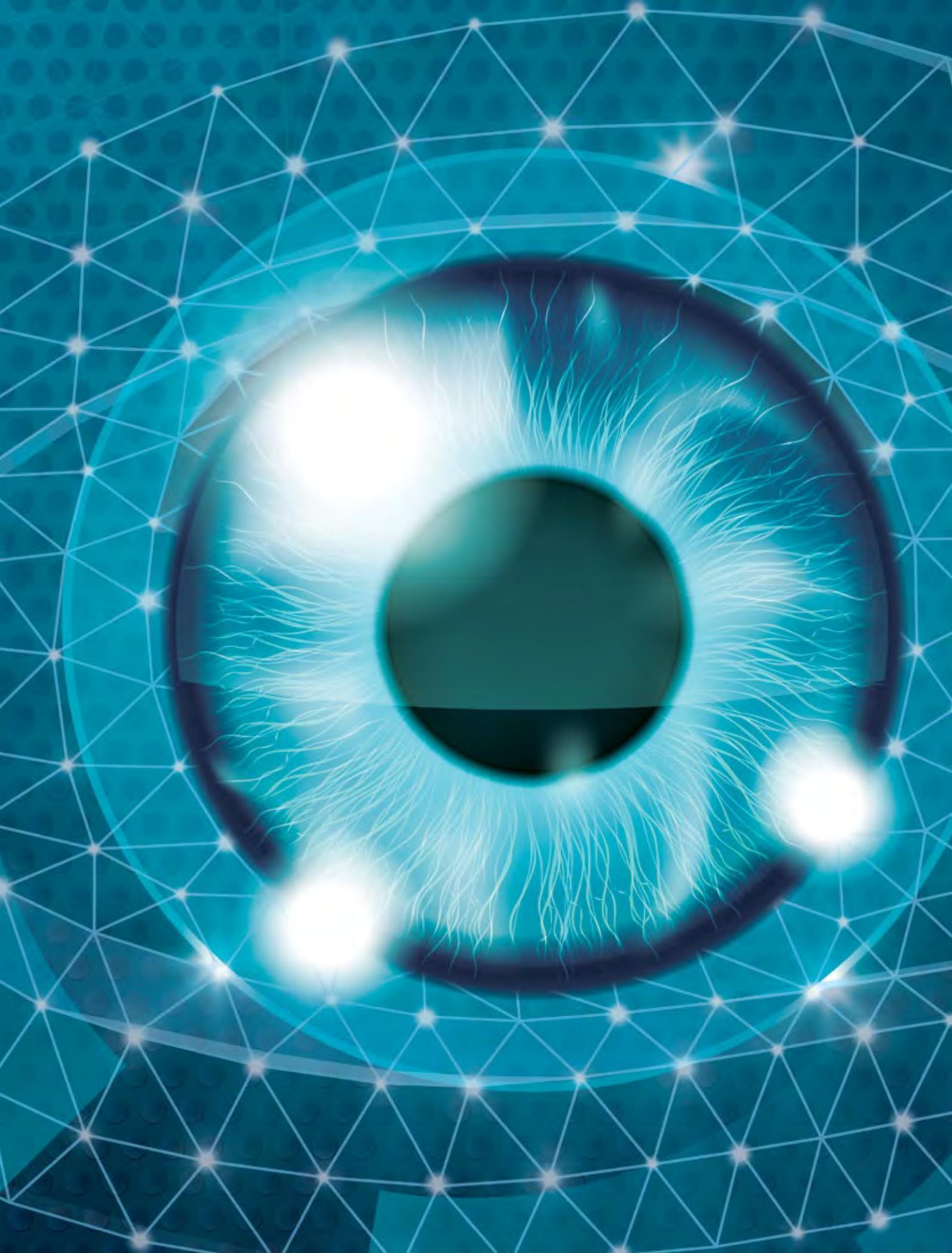




# MAJOR EVENTS DURING THE YEAR AND AFTER THE REPORTING DATE

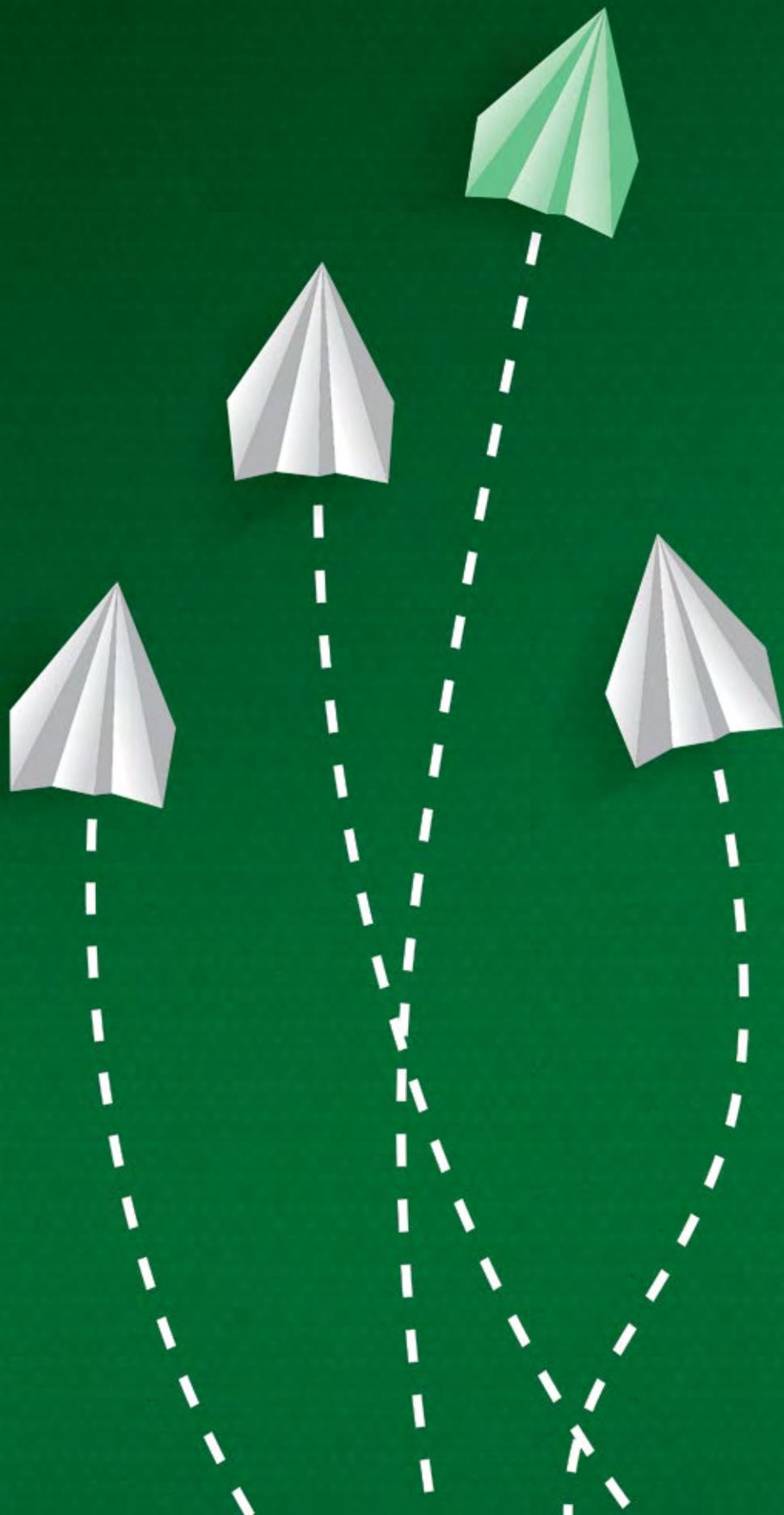






# Vision

To be a nationally and internationally recognised and accepted security paper producing organization, providing highest quality paper to our customers, both in Pakistan and abroad.



# Mission

We are the only national organization producing strategically important Security Paper products for the nation. We have developed a unique set of strengths and competencies. We wish to build on these assets and will strive continuously to achieve higher levels of excellence.

Our mission is to exceed the expectations of our customers in producing, with security and efficiency, highest quality paper products, employing international best practices and applying an integrated approach to product research and development, manufacturing technology, operations management, counterfeit deterrence, materials procurement, human resource management, financial management and information systems.





# Core Values

01

Striving for continuous improvement and innovation with commitment and responsibility;

02

Treating shareholders/ stakeholders with respect, courtesy and competence;

03

Practicing highest personal and professional integrity;

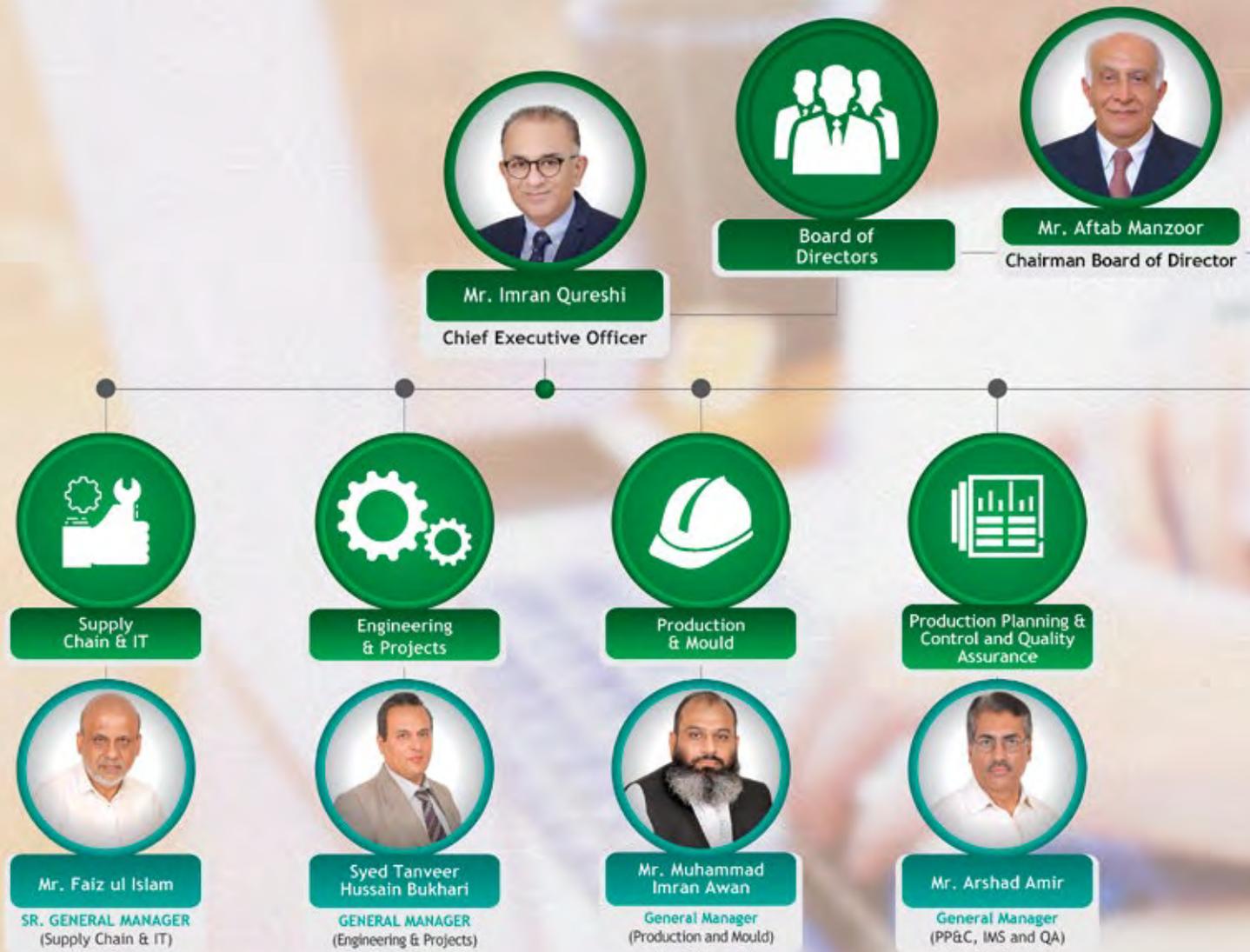
04

Maintaining teamwork, trust and support, with open and candid communication;

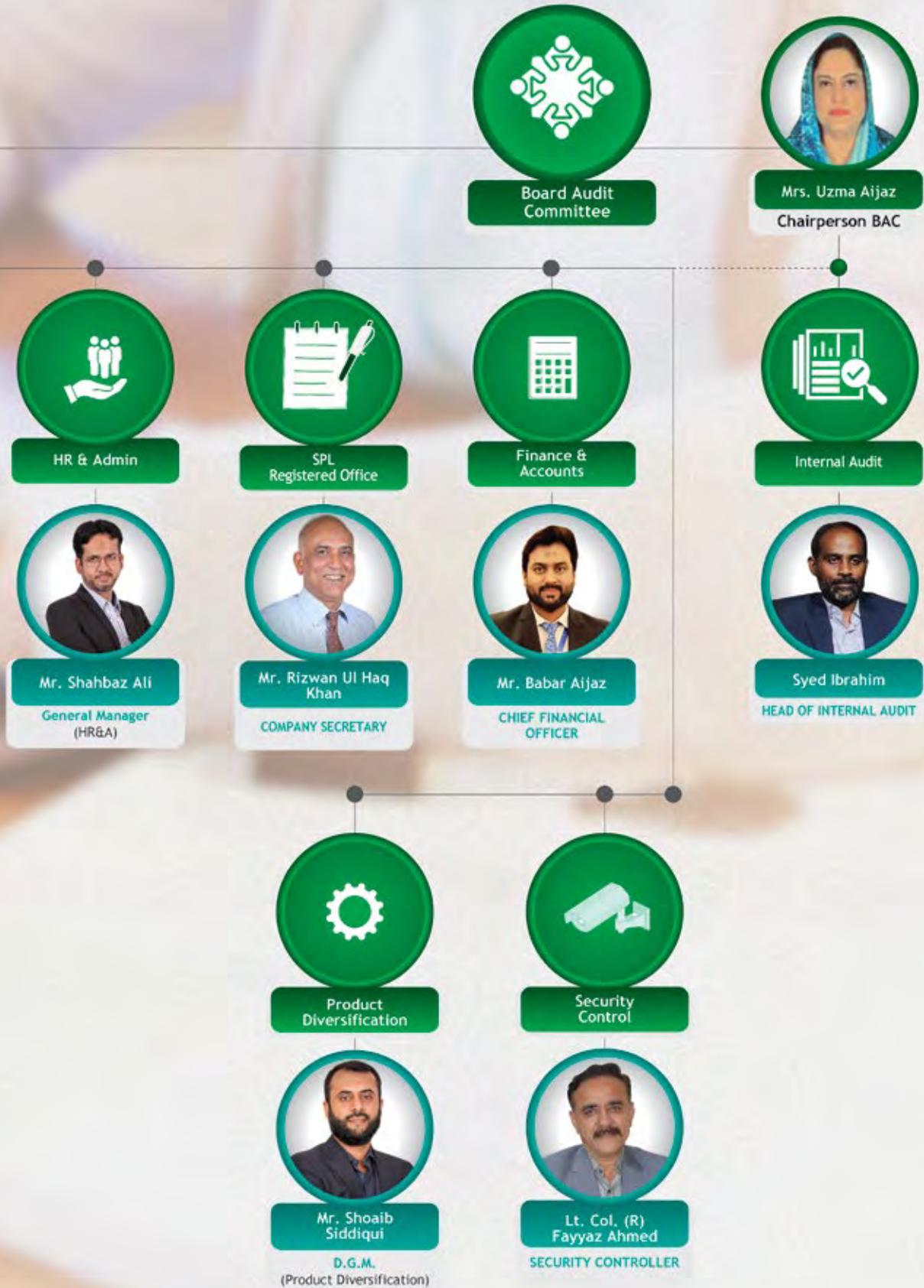
05

Ensuring cost consciousness in all decisions and operations.

# COMPANY WIDE ORGANIZATIONAL CHART



# COMPANY WIDE ORGANIZATIONAL CHART



# COMPANY INFORMATION

## Board of Directors

### Non-Executive Directors

#### Chairman

Mr. Mohammad Aftab Manzoor - Nominee - PSPC

#### Directors

Mr. Muhammad Sualeh Ahmad Faruqui	Independent	-	Elected	-	SLICOP
Mr. Jamal Nasim		-	Elected	-	NIT
Dr. Abolghassem Jamshidi		-	Nominee	-	IDRO
Ms. Figen Caliskan		-	Nominee	-	SHAS
Mrs. Uzma Aijaz	Independent	-	Elected	-	Minority
Hafiz Mohammad Yousaf		-	Nominee	-	PSPC
Mr. Shafqaat Ahmed		-	Nominee	-	PSPC
Mr. Munir Ahmed		-	Independent	-	Elected - PPCBL

#### Chief Executive Officer

Mr. Imran Qureshi

PSPC	-	Pakistan Security Printing Corporation (Pvt.) Limited
NIT	-	National Investment Trust Limited
IDRO	-	Industrial Development and Renovation Organization
SHAS	-	Sumer Holding A.S. Genel Mudurlugu
SLICOP	-	State Life Insurance Corporation of Pakistan
PPCBL	-	The Punjab Provincial Cooperative Bank Limited

### Board Audit Committee (BAC)

Mrs. Uzma Aijaz	Independent	Non-Executive	Director	Chairperson
Mr. Jamal Nasim		Non-Executive	Director	Member
Dr. Abolghassem Jamshidi		Non-Executive	Director	Member
Hafiz Mohammad Yousaf		Non-Executive	Director	Member
Mr. Shafqaat Ahmed		Non-Executive	Director	Member
Mr. Rizwan Ul Haq Khan		Company Secretary		

### Board Human Resource and Remuneration Committee (BHRC)

Mrs. Uzma Aijaz	Independent	Non-Executive Director	Chairperson
Mr. Mohammad Aftab Manzoor		Non-Executive Director	Member
Mr. Jamal Nasim		Non-Executive Director	Member
Mr. Munir Ahmed	Independent	Non-Executive Director	Member
Mr. Rizwan Ul Haq Khan		Company Secretary	

## COMPANY INFORMATION

### Board Investment & Risk Management Committee (BIRC)

Mr. Muhammad Sualeh Ahmad Faruqui	Independent	Non-Executive Director	Chairman
Ms. Figen Caliskan		Non-Executive Director	Member
Hafiz Mohammad Yousaf		Non-Executive Director	Member
Mr. Munir Ahmed	Independent	Non-Executive Director	Member
Mr. Rizwan Ul Haq Khan		Company Secretary	

### Board Strategic Committee (BSC)

Mr. Shafqaat Ahmed		Non-Executive Director	Chairman
Mr. Mohammad Aftab Manzoor		Non-Executive Director	Member
Mr. Muhammad Sualeh Ahmad Faruqui	Independent	Non-Executive Director	Member
Ms. Figen Caliskan		Non-Executive Director	Member
Hafiz Mohammad Yousaf		Non-Executive Director	Member
Mr. Faizul Islam		Sr. General Manager	Secretary

### Board Procurement Committee (BPC)

Mr. Jamal Nasim		Non-Executive Director	Chairman
Mr. Mohammad Aftab Manzoor		Non-Executive Director	Member
Dr. Abolghassem Jamshidi		Non-Executive Director	Member
Mr. Shafqaat Ahmed		Non-Executive Director	Member
Mr. Faizul Islam		Sr. General Manager	Secretary

### Executive Committee

#### Chairman

Mr. Imran Qureshi	-	Chief Executive Officer
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#### Members

Mr. Rizwan Ul Haq Khan	-	Company Secretary
Mr. Babar Aijaz	-	Chief Financial Officer
Mr. Faizul Islam	-	Senior General Manager (Supply Chain & IT)
Syed Tanveer Hussain Bukhari	-	General Manager (Engineering & Projects)
Mr. Shahbaz Ali	-	General Manager (HR&A)
Mr. Muhammad Imran Awan	-	General Manager (Production & Mould)
Mr. Arshad Amir	-	General Manager (PP&C, IMS and QA)
Mr. Shoaib Siddiqui	-	D.G.M (Product Diversification)
Lt. Col. (R) Fayyaz Ahmed	-	D.G.M. (Security Controller)

# COMPANY INFORMATION

## Bankers

Bank Al Habib Limited  
Meezan Bank Limited  
Bank Alfalah Limited

## Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountants

## Legal Advisors

Mohsin Tayebaly & Co.  
Advocates & Legal Consultants

## Registered Office

Jinnah Avenue, Malir Halt,  
Karachi-75100.  
Tel. No: (+9221) 99248285  
Fax No: (+9221) 99248286  
E-mail: [comsec@security-papers.com](mailto:comsec@security-papers.com)  
Website: <http://www.security-papers.com>

## Factory

Jinnah Avenue, Malir Halt,  
Karachi-75100  
Tel. No: (+9221) 99248536-37  
Fax No: (+9221) 99248616

National Bank of Pakistan  
Habib Metropolitan Bank Limited  
MIB Bank Limited

## Tax Consultants

A. F. Ferguson & Co.  
Chartered Accountants

## Share Registrar

FAMCO Associates (Pvt.) Limited  
8-F, Near 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](mailto:info.shares@famco.com.pk)

## BOARD OF DIRECTORS



**MR. MOHAMMAD AFTAB  
MANZOOR**  
(Non-Executive Director)



**MR. MUHAMMAD SUALEH  
AHMAD FARUQUI**  
(Independent and Non-  
Executive Director)



**MR. JAMAL NASIM**  
(Non-Executive Director)



**DR. ABOLGHASSEM JAMSHIDI**  
(Non-Executive Director)



**MRS. UZMA AIJAZ**  
(Independent and Non-  
Executive Director)



**MS. FIGEN CALISKAN**  
(Non-Executive Director)



**HAFIZ MOHAMMAD YOUSAF**  
(Non-Executive Director)



**MR. MUNIR AHMED**  
(Independent and Non-  
Executive Director)



**MR. SHAFQAAT AHMED**  
(Non-Executive Director)



**Mr. Imran Qureshi**  
(Chief Executive Officer)



## MR. MOHAMMAD AFTAB MANZOOR (NON-EXECUTIVE DIRECTOR)

Mr. Mohammad Aftab Manzoor was appointed as Member of the Board of Directors in August 2021. He is a Non-Executive Director nominated by Pakistan Security Printing Corporation (Pvt.) Limited. He is also Chairman of the Board of Directors of Security Papers Limited and Member of the (i) Board Human Resource & Remuneration Committee, (ii) Board Strategic Committee and (iii) Board Procurement Committee.

He is a senior banker with 35 years of banking experience including 10 years as the CEO of two “Big Five” banks in Pakistan. Provided strategic leadership to transform these banks and was instrumental in strengthening and repositioning the franchise and building them into leading market players.

After completing MBA in 1977 from Quaid-e-Azam University, he has undergone extensive credit and management training at Citibank training centers abroad. He has also attended various seminars, workshops, and training sessions with renowned institutions such as World Bank, Harvard Business School & MIT Sloan Business School.

He has twice served as Chairman Pakistan Banks Association (PBA) working closely with State Bank of Pakistan on regulatory and other banking industry related issues.

With vast professional experience of working as Chief Executive Officer / President of the following banks:

- Soneri Bank Limited
- Allied Bank Limited
- MCB Bank Limited

Earlier, he has served on various Boards and is currently on the Board of:

- Askari Bank Limited
- Hellenic Sun (Pvt.) Limited



## MR. MUHAMMAD SUALEH AHMAD FARUQUI

(INDEPENDENT AND NON-EXECUTIVE DIRECTOR)

Mr. Muhammad Sualeh Ahmad Faruqi was appointed as member of the Board of Directors of Security Papers Limited in July and subsequently he was elected to the Board of Directors in September 2020.

He is an Independent Non-Executive Director being a nominee of the State Life Insurance Corporation of Pakistan. He is the Chairman of (i) Board Investment & Risk Management Committee and member of (ii) Board Strategic Committee.

Mr. Muhammad Sualeh Ahmad Faruqi is an officer of Pakistan Administrative Services (PAS) who joined the Civil Service in 1990. Before joining as Secretary Commerce, he has remained posted as Secretary, Trade Development Authority of Pakistan and Chief Executive Officer, Sindh Infrastructure Development Company. Besides, he held various positions at Federal, Provincial and Divisional/District administration levels.

He earned his Master degree from London School of Economics, UK. He is a Britannia Chevening Scholar and also a lead international fellow in the field of sustainable development. Further to this, he has been particularly associated with economic, financial, and structural reforms initiatives at various levels. During the span of his service, he has widely travelled and represented Pakistan at various international forums.

Presently, Muhammad Sualeh Ahmad Faruqi is serving as Federal Commerce Secretary, Government of Pakistan.



## MR. JAMAL NASIM

(NON-EXECUTIVE DIRECTOR)

Mr. Jamal Nasim is on the Board of Directors since 2010. He was elected to the Board of Directors in 2020.

He is a 'Certified Director'.

He is a Non-Executive Director being a nominee of the National Investment Trust Limited (NIT). He is the Chairman of (i) Board Procurement Committee, member of (ii) Board Audit Committee and (iii) Board Human Resource & Remuneration Committee.

After completing his Bachelor of Commerce, he did his MBA from The Asian Institute of Management, Manila, Philippines.

Mr. Nasim holds about 40 years' professional experience in Banking, Finance and Audit fields.

He had been an ardent debater with a passion for poetry. He has taken part in declamation contests and won numerous prizes, gold medal and certificate of honor. He is fond of socializing and reading.

Presently he is the Chairman/President of the Industrial Development Bank Limited (IDBL).

### Other Directorship:

1. Ellcot Spinning Mills Limited
2. KSB Pumps Limited
3. Saritow Spinning Mills Limited
4. Pioneer Cement Limited
5. National Investment Trust Limited (Not listed)
6. He is also on the Board of Governors of Lahore University of Management Sciences (LUMS) and
7. Lahore School of Economics (LSE).



## DR. ABOLGHASSEM JAMSHIDI

(NON-EXECUTIVE DIRECTOR)

Dr. Abolghassem Jamshidi was appointed to the Board of Directors in 2014.

He is a Non-Executive Director being a nominee of Industrial Development and Renovation Organization of Iran (IDRO). He is also a Member of the Board Audit Committee and Board Procurement Committee.

He is a Ph.D. in Economics (The Financial System and Monetary Policy) from Tilburg University, Netherlands, and M.S. in Administrative Sciences, from Administrative Science Faculty, Tehran Iran.

Dr. Jamshidi has very rich professional experience on senior management positions in diversified fields such as trade, industries, commerce, administration, finance, education, and banking, etc. including the following:

01. Advisor to the Minister of Industry.
02. Advisor to the Minister of Heavy Industry.
03. Advisor to the Minister of Roads & Transportation.
04. Chairman & Managing Director of the Iranian Industrial Development Investment Co.
05. Deputy of Mostazafan & Janbazan Foundation in the Execution of Independent Industrial Projects for Job Creation as well as Training Affairs.
06. Member of High Council as well as Plan, Project & Coordination Deputy of Nationalized Iranian Industries Organization.
07. Deputy Minister of Industry for Economic & International Affairs (& In-Charge of UNIDO Coordination Office in Iran).
08. Chairman & Managing Director of Sepah Bank.
09. Economic & Commercial Affairs in deputy Ministry of Industry.
10. Chairman of Industrial Management Institute of Iran.
11. Substitute to the Chairman of the Organization for Industrial Development & Renovation.
12. Member of the High Council (As a Board Member) of the National Iranian Industries Organization.
13. Deputy Minister of Commerce for Internal Trade.
14. In Charge of the General Provincial Affairs Department of the Ministry of Commerce.
15. Expert of Trade Studies Center.
16. FAO Expert (Food & Agricultural Organization of U.N) & C.A.M.D. in Iran.

Presently, he is serving as a Senior Advisor to the Pasargad Bank.



## MS. FIGEN CALISKAN

(NON-EXECUTIVE DIRECTOR)

Ms. Figen Çalışkan was appointed to the Board of Directors in July 2020 of Sümer Holding Inc. Co, General Directorate, Turkey.

She is a 'Certified Director'.

She is a Member of the Board Investment and Risk Management Committee and Board Strategic Committee.

She is a Graduate from Erciyes University, Faculty of Economics and Administrative Sciences, Department of Business Administration, Turkey.

Ms. Çalışkan has over 30 years of experience in government departments.

Presently she is serving as Director of Strategy Development Branch in Sümer Holding, JSC, Turkey.



**MRS. UZMA AIJAZ**  
(INDEPENDENT AND NON-EXECUTIVE DIRECTOR)

Mrs. Uzma Aijaz was elected to the Board of Directors in September 2020.

Mrs. Uzma Aijaz is a business woman and has experience of family business. She has done her graduation in Commerce. She is an Independent Non-Executive Director and Chairperson of the (i) Board Audit Committee and (ii) Board Human Resource & Remuneration Committee.

Other Directorship:

Gulf Builder and Developers (Private) Limited.



## HAFIZ MOHAMMAD YOUSAF (NON-EXECUTIVE DIRECTOR)

Hafiz Mohammad Yousaf was appointed as member of the Board of Directors in April 2021.

He is a Non-Executive Director being a nominee of the Pakistan Security Printing Corporation. He is a member of the (i) Board Audit Committee, (ii) Board Investment & Risk Management Committee and (iii) Board Strategic Committee.

Hafiz Mohammad Yousaf is a highly qualified professional having diversified qualifications from the renowned Institutions of Pakistan, USA, and Canada. He is a Fellow Member of the Institute of Chartered Accountants of Pakistan (ICAP), Fellow Member of American Institute of Certified Public Accountants (AICPA) and Member of Canadian Institute of Chartered Professional Accountants (CICPA) besides being member of many other renowned international professional institutions.

Mr. Yousaf possesses over three decades of diversified post qualification experience as a Chartered Accountant, (including two decades at a Big 4 accounting firm as Partner/Country Leader Consulting). His core areas of specialization are corporate finance and restructuring, corporate compliance and regulations, governance and oversight, assurance, consulting and financial advisory services.

During his professional career as a chartered accountant he has handled, directed and managed a wide variety of complex professional assignments for private and public sectors national and international entities. In the recent years the key areas of his focus are the high-end policies formulation and implementation, strategic directions, oversight of regulations and business operations, governance initiatives and organizational reforms and business decisions making, etc. at some of the most important corporate sector entities of the country.

Mr. Yousaf has the honor of serving the council of ICAP for eight years (2009-17) in various leadership positions including being its President for 2015-16 term and represented Pakistan on various prestigious international forums including International Federation of Accountants (IFAC), International Accounting Standard Board (IASB), Asian Oceania Standards Setters Group (AOSSG), CA Worldwide (CAW) and South Asian Federation of Accountants for many years on different meetings and conferences. He has also served on the Boards of State Bank of Pakistan (SBP), and Securities and Exchange Commission of Pakistan (SECP) including chairing their Audit and Oversight Committees respectively besides being part of many other important committees of the Boards.

Currently he is the Board Member of (i) SAMBA Bank Limited, (ii) Kot Addu Power Company Limited and (iii) Pakistan Security Printing Corporation (Pvt.) Limited.



**MR. MUNIR AHMED**  
(INDEPENDENT AND NON-EXECUTIVE DIRECTOR)

Mr. Munir Ahmed was elected to the Board of Directors in September 2020.

He is a 'Certified Director'.

He is an Independent Non-Executive Director and a Member of the Board Human Resource & Remuneration Committee and Board Investment and Risk Management Committee.

Mr. Munir Ahmed holds about 33 years' professional experience with The Punjab Provincial Cooperative Bank Limited (PPCBL).

He has done his Masters in Science from Bahaud-Din-Zakaria University, Multan. He has undergone various trainings at renowned institutions in Pakistan.

He is highly motivated devoted and committed to professional standards and ambitious to sustain a continuing program of self-development and education.



## MR. SHAFQAAT AHMED

(NON-EXECUTIVE DIRECTOR)

Mr. Shafqaat Ahmad was appointed as a member of the Board of Directors in August 2021. He is a Non-Executive Director nominated by Pakistan Security Printing Corporation (Pvt.) Limited. He is also a member of the (i) Board Audit Committee (ii) Board Strategic Committee, and (iii) Board Procurement Committee.

Mr. Shafqaat Ahmed did his Bachelor in Economics from F.C. College Lahore. He is fellow of the Institute of Bankers in Pakistan. He has Directors' Certification from LUMS, PICG and University of Lahore.

He is a senior banker with over 48 years banking experience including 25 years as the President, CEO of Al Baraka Bank (Pakistan) Limited. He also served as Country Head of Bank of Credit & Commerce International, Bahrain.

Other Directorships:

Dandot Cement Company Limited.



## MR. IMRAN QURESHI

(CHIEF EXECUTIVE OFFICER)

Mr. Imran Qureshi was appointed by the Board of Directors of Security Papers Limited (SPL) as on September 15, 2022 as the Chief Executive Officer (CEO) of the Company.

He is a 'Certified Director' from PICG.

Mr. Imran Qureshi holds MBA Degree in Marketing from South Eastern University and a Bachelor of Engineering Degree along with a diploma in Strategic Leadership from Oxford University, UK.

He has vast experience in Leadership & P&L Management with leading multinational/national organizations. He is a recognized and established leader with reputation of driving growth, turning businesses around and exhibiting strong drive for results. He has also valuable experience in interacting & managing different stake holders including government & key regulators of the country like Competition Commission of Pakistan, National Tariff Commission, Ministry of Commerce, Trade Development Authority, Federal Board of Revenue, Overseas Chamber of Commerce & Industry, Engineering Development Board, Pakistan Customs etc.

Prior to SPL, his career starts as follows:

Chief Executive Officer - Stylers International is a leading denim garments manufacturer and exporter with an annual turnover of over USD 80 million.

Chief Executive Officer - Descon Oxychem Limited, Part of the USD 1 Billion Descon Group, Descon Oxychem Limited is a listed company and is the market leader of Hydrogen Peroxide in Pakistan.

CEO/Managing Director - Coats Pakistan With a rich heritage dating back to 1750s, Coats plc UK is the world's leading industrial thread and textile crafts business, employing 20,000 employees in over 70 countries across six continents around the world.

General Manager, Clothing Business Division - Midas Safety Inc that manufactures and exports specialized work wear clothing solution to Europe and UK.

Business Manager, Decorative Coatings - AkzoNobel Pakistan (ICI Paints)

Business and Marketing Manager, Soda Ash - ICI Pakistan Limited

## CHAIRMAN'S REVIEW



**MR. MOHAMMAD AFTAB MANZOOR**  
(Non-Executive Director)

# CHAIRMAN'S REVIEW

Dear Shareholders,

I am pleased to present the Company's Annual Report together with the Audited Financial Statements for the year ended June 30, 2022 and to share with you an update on the performance of Security Papers Limited (SPL or the Company) towards the achievement of its strategic goals and objectives.

Pakistan's economy continued to recover in Financial Year 2022 benefiting from Government's efforts to contain the pandemic. The GDP posted a growth of 5.97% in FY 2022, higher than the growth of 5.74% last year primarily on account of growth of the agriculture, industrial and services sectors' impressive performance. However, the economic recovery was impacted by an unprecedented surge in oil, commodity and food prices globally on the back of the Russia-Ukraine conflict.

Despite record remittances of USD 31.2 billion which grew by 6.1% and exports of USD 32.5 billion Pakistan's trade deficit widened to an all-time high of USD 39.50 billion during the FY 2021-22 owing to an unprecedented increase in imports and rise in global commodity prices. As a result, the current account deficit increased to USD 17.4 billion putting pressure on the foreign exchange reserves, which decreased to USD 14.35 billion. The rising oil and food prices also impacted domestic commodity prices.

Pakistan's inflation rate soared to 12.2% compared to 8.90% last year. As a result, the State Bank of Pakistan increased the policy rate by a cumulative 675 basis points from September 2021 to June 2022.

The economy remains vulnerable to tight international financial conditions and geopolitical tensions. The economic recovery in FY 2022-23 rests on the resumption of the IMF program, fiscal adjustments to narrow the deficit, an increase in tax collection and a reduction in subsidies and capital expenditure.

## Business Overview

The Financial Year 2021-22 was yet another challenging year for the Company. During the year, we faced a number of challenges including rising international commodity prices, disrupted international supply chains and polarization due to Russia and Ukraine war. These elements caused widening current account deficit and depreciation pressures on the exchange rate, which also reinforced domestic price pressures.

Despite all these challenges, by the grace of Allah, your Company has displayed a resilient financial performance in a challenging business environment by attaining a profit after tax of Rs 948.99 Million and making a record sale of Rs 5,147.26 Million. The Board closely monitored the performance of the business with a focus to ensure sustained growth of the Company. These efforts have helped the Company to create long term value for the stakeholders.

One of the major strengths of the Company is that it is the only organization in the country producing Banknotes and other Security Paper Products. The Company is the sole supplier of Banknotes Paper to its major customer - Pakistan Security Printing Corporation to meet currency notes requirements of the country. In order to take advantage of this unique situation over the years; the Company has enhanced its production capacity to meet the growing demand of its customers through various plant upgrades. The Company has also added state of the art plant and equipment to enhance security features and improve quality of its products. As the demand for security papers is continuously growing, the Company intends to further enhance production capacity through Balancing, Modernization, Rehabilitation and Expansion projects.

The Company's strategy remained to boost margins by improving quality of products, achieving efficiencies and to expand the product base to achieve economy of scales. We will continue to seek every opportunity to improve operational efficiency during the year ahead.

The Company remains strongly focused on innovations, creating a strong performance culture within the organization and capitalize opportunities in a challenging business environment to improve productivity and enhance shareholders value. New technologies are continuously evolving in the security paper industry and the Company is committed to adopt any new technology that can positively affect the Company's performance.

# CHAIRMAN'S REVIEW

## Environment, Social and Governance

As a Board we note the increasing importance of Environmental, Social and Governance (ESG) issues and believe there is much we can do to create a lean, efficient, predictable and sustainable business, as well as ensuring non-discrimination, local communities, succession planning, training and development and Occupational Health and Safety.

We are conscious of the important role we play in many communities and the Board has been increasingly focused on ensuring that ESG matters form an integral part of the growth strategies in our business plan and our business decision making processes. The Board considers leadership, culture and good governance in these areas as essential factors in the Company's ongoing transformation. We are mindful of our impact on the environment and I am pleased that we have made good progress on ensuring water availability, product recycling and emissions control during the year under review.

That said, we remain fully committed to Corporate Governance and Business Ethics and to our customers and continue to innovate in this regard. Diversity, equity and inclusion continues to be an area of focus and is critical to a strong, sustainable business, enabling us to attract and retain the best talent and better understand the markets and communities in which we live and work. Both the Company and the Board are committed to creating a culture of respect and inclusivity for every individual we employ.

We will continue to promote a culture that values and thrives on diversity in all areas and strive to achieve efficient resource utilization, sustainable and safe procurement practices, product diversification and capacity enhancement. Our people have endured significant change and challenges as well as having to cope with the trials of COVID-19 and it is paramount that we continue to look after their wellbeing through our engagement program.

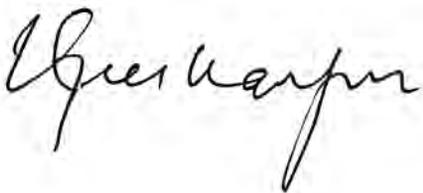
## Dividend Announcement

To pass on the benefit of this achievement to the shareholders, the Board has recommended paying cash dividend of Rs 10 per share i.e., 100%.

## Our Stakeholders

The Board would like to thank all those who work for the Company for their hard work and dedication to SPL. We would also like to thank our stakeholders for their continued support and encouragement.

I would also like to acknowledge the commitment and diligence of my fellow Directors during the year under review and thank the outgoing Chief Executive Officer for his inspiring leadership and would also like to extend warm welcome to the new CEO.



## MOHAMMAD AFTAB MANZOOR

Chairman

Dated: September 29, 2022

# SURPASSING THE BEST





# **DIRECTORS' REPORT**



# DIRECTORS' REPORT

Dear Shareholders,

The Directors of Security Papers Limited ('the Company' or 'SPL') are pleased to present the Annual Report together with the audited Financial Statements of the Company for the year ended June 30, 2022.

## Operating Results

The operating results of the Company for the year ended June 30, 2022 are summarized as follows:

(Rupees in '000)

	2022	2021
Sales	5,147,258	5,001,692
Gross Profit	1,649,699	1,882,845
Profit before taxation	1,397,743	1,996,175
<b>Taxation</b>		
Current - for the year	480,745	469,412
Current - for prior year	(413)	568
	480,332	469,980
	(31,578)	67,750
Deferred	448,754	537,730
Profit after taxation	948,989	1,458,445
Other comprehensive income	1,218	5,893
<b>Total Income</b>	<b>950,207</b>	<b>1,464,338</b>

## Earnings Per Share

The earnings per share (EPS) after taxation is Rs 16.02 (2021: Rs 24.61).

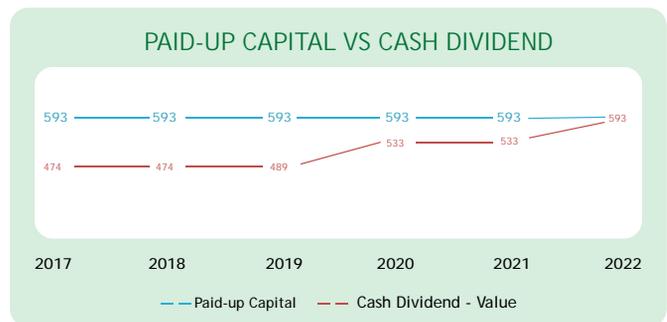


## Appropriations:

### Dividend

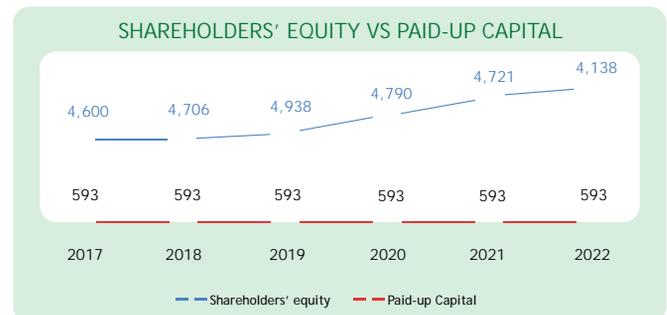
The Board of Directors of the Company has recommended the following appropriations for the FY 2021-22 for approval of members at the Annual General Meeting, to be held on October 26, 2022:

Cash dividend of Rs 10/- per share, i.e. 100% (2020-21: a total cash dividend of Rs 9/- per share, i.e. 90 %).



**Transfer to Revenue Reserve** of Rs 356.430 Million (2020-21: Rs 931.04 Million).

These appropriations would be reflected in the subsequent financial statements, in compliance with the revised Fourth Schedule to the Companies Act, 2017.

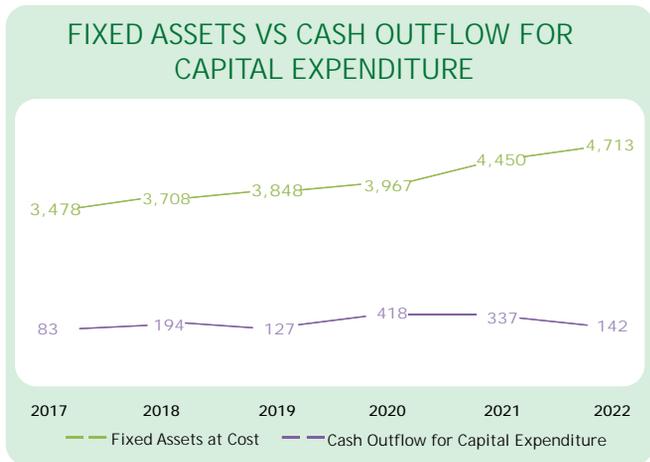


## Business Review

In a challenging economic environment, the Financial Year 2021-22 was another year of good performance for Security Papers Limited. The management remained much focused on the operational and financial performance of the business. The constantly higher inflation and rupee depreciation has increased the cost of manufacturing. A combination of cost effectiveness programs and cost absorption helped the Company to manage profitability for the business.

# DIRECTORS' REPORT

National economy witnessed a growth of 5.97%. However, in later half of FY 2021-22, imbalances in economy in the form of ballooning current account deficit and depletion of foreign exchange reserves cropped up. To curb these imbalances, the Government resorted to tightening measures including imposition of regulatory duties on imports, rupee depreciation and policy rate increases. Despite of the ups and downs in the economy, the Company achieved highest ever sales revenue of Rs 5,147.26 Million and posted profit after tax of Rs 948.99 Million.



We have worked effectively together to create value during what has been a challenging year for people globally. We have made good progress on optimizing performance, streamlining costs, and capitalizing on our strengths. The procurement of cotton comber, a major constituent of Banknotes and other Security Paper products was another major challenge this year because of lower cotton production in the country. Our supply chains have remained materially unaffected since the outbreak of the COVID-19 pandemic due to our robust incident management framework. This resulted in achieving the desired targets while maintaining our reputation for good governance and provision of steady returns to our Shareholders.

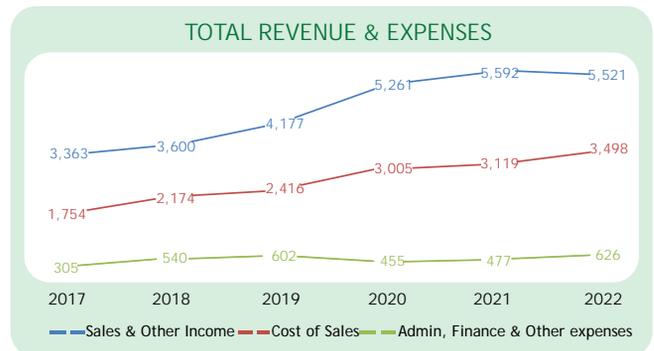
The Company endeavors to keep pace with changing business environment to meet the demand of our customers, thus ensuring growth and sustainability. SPL is the only organization in the country producing Banknotes and other Security Paper products. During the year, the

Company continued to manufacture high quality security paper products to meet the growing demand for banknotes and other security paper products. The Company is looking forward to enter business segments which capitalize on its established security paper manufacturing strength. The Company is committed to enhancing its product base and to be leader in manufacturing of security paper products.

We have continued our efforts to accelerate the process of expanding business opportunities and enter into new products. During the year under review the Company has managed to secure an order from Election Commission of Pakistan for the supply of secure Watermark Ballot Paper. It is indeed a major breakthrough in our efforts towards diversification of our products and customer base.

## Operational Performance

During the year under review, the Company recorded significant improvement in business performance through strong operational performance and better financial management. By the grace of Allah, we were able to deliver the desired quantity of high-quality Banknotes and other Security Paper to our customers. The gross profit decreased to Rs 1649.70 Million as compared to Rs 1882.85 Million in the previous year primarily owing to reasons that the impact of rising costs could not be fully passed on to our customers. Other income decreased by 36.62 % to Rs 373.99 Million as compared to Rs 590.05 Million during the previous year mainly due to loss on remeasurement of investments in mutual funds of Rs 141.54 Million as against gain on remeasurement of mutual funds of Rs 324.13 Million in the corresponding period of preceding year because of a subdued capital market.



# DIRECTORS' REPORT

The management remained much focused on improving performance at work place and reach new skill levels through professional development. A system of continuous review of existing workflow, production processes, preventive and predictive maintenance was in place throughout the year under review to achieve efficiency and improvement in productivity. Determined efforts were made to reduce cost through spoil reduction and cost effectiveness programs.

The Company has made good progress in improving working capital management during the year with successful initiatives in inventory management and strong cash collections. We are focusing on better managing our cash through effective inventory planning and credit control. The Company's return on capital employed in the year was 13.20 % which demonstrates how efficiently and effectively assets and resources were utilized to generate attractive return for Shareholders.

We are committed to strengthening our financial position through managing our resources prudently. The Company is well poised to encounter future challenges through various measures including innovation, planning, cost controlling, operational analysis, expanding product base and prudent financial management.

## Production

Operating at optimum capacity, the Company produced 4,187 tons of Banknotes and other Security Papers as compared to 4,138 tons during the corresponding period. The cost of production was kept at optimum level through effective utilization of resources and by controlling production wastages. The cost prices of imported raw materials increased due to rupee devaluation. However, effective utilization of resources resulted in enhanced productivity and efficiency and quality of the paper. No major operational problems occurred and a system of preventive and predictive maintenance was in place and all production processes were effectively monitored and rectified throughout.

## Sales

During the Financial Year 2021-22, our core business of Banknote paper had performed very well. All denominations of Banknote Paper were sold as per customers' demand. The Company also generated good business from other Security Paper products i.e. Non-Judicial Paper, Prize Bond Paper, Parchment Paper and Degree paper for Board and Universities.

The Company achieved sales volumes at 4,176 tons during the year under review as compared to last year sales

volumes of 4,163 tons. In terms of value, the net sales of the Company registered growth of 2.91 % and stood at Rs 5,147.26 Million as compared to Rs. 5,001.69 Million of the last year.



Margins remained under pressure due to fluctuation in cotton comber prices, a major constituent of Banknote paper. Similarly, the cost of imported raw materials, including security thread and chemicals, also increased due to higher price demanded by suppliers and substantial increase in cost of freight.

## Principal Activity

The principal activity of the Company is manufacturing and sale of specialized paper for Banknote and non-Banknote security documents.

## Safety, Health and Environment



The Company continued to demonstrate its strong commitment to Safety, Health and Environment. For sustainable business growth, we have established Occupational Health and Safety Management System (ISO 45001:2008), Environment Management System (ISO 14001:2015) and Quality Management System (ISO 9001:2015) Certifications.

The Company has made objective based efforts to reduce unsafe and unhealthy work practices / conditions. Workplace safety awareness is an important part of enhancing the quality of employee's safety and health. Personal Protective Equipment have been provided to all departments to ensure their usage. Quality awareness signs, dangerous area identification sign boards at

# DIRECTORS' REPORT

potential high-risk areas have been placed.

Successful recertification audit of Environment Management System conducted by SGS Pakistan (Pvt.) Ltd. reassures safe environment for plant operations, employees and community. Cleanliness and green environment are maintained in and around factory areas to control pollution. A large number of trees were planted to comply with Sindh Environmental Protection Agency's requirements during FY 2021-22.

## Board and Committees Changes

Following the withdrawal of nomination by Pakistan Security Printing Corporation (Pvt.) Limited, Dr. Mohammad Ashraf Butt ceased to be as member of the Board.

Mr. Imran Qureshi has joined as Chief Executive Officer of the Company in place of Dr. Mohammad Ashraf Butt.

The Board welcomed the new Chief Executive Officer and appreciated the valuable contribution of the outgoing Director/Chief Executive Officer while he was on the Board of Directors and its various Committees.

## Chairman's Review

The Board of Directors endorse the contents of the Chairman's Review annexed (page 35).

## Composition of the Board

The composition of the Board is in compliance with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 applicable on listed entities which is given bellow:

### Total Number of Directors

(a) Male	-	8
(b) Female	-	2

### Composition:

(i) Independent Directors	-	3
(ii) Executive Directors	-	1
(iii) Non-Executive Directors	-	6

### Name of Directors

Mr. Mohammad Aftab Manzoor	-	Chairman
Mr. Muhammad Sualeh Ahmad Faruqi	-	Director - Independent
Mrs. Uzma Aijaz	-	Director - Independent
Mr. Munir Ahmed	-	Director - Independent
Mr. Jamal Nasim	-	Director
Dr. Abolghassem Jamshidi	-	Director
Ms. Figen Caliskan	-	Director

Hafiz Mohammad Yousaf	-	Director
Mr. Shafqaat Ahmed	-	Director
Mr. Imran Qureshi	-	Chief Executive Officer

## Directors Remuneration

All Directors of the Company are non-executive Directors except the Chief Executive Officer. The remuneration of the non-executive Directors for attending Board and its Committees meetings is determined by the Company in the Annual General Meeting and based on prevailing industry trends and business practices. The details of remuneration paid to the Chief Executive Officer and Directors are available in Note number 30 to the financial statements.

## Pattern of Shareholding

A statement showing the pattern of shareholding as at June 30, 2022 required under section 227 (2) (f) of the Companies Act, 2017 is annexed to this report.

## Business Continuity Plan

There are no significant doubts about the Company's ability to continue as a going concern.

## Corporate Social Responsibility (CSR)

The Company is committed to contributing to the wellbeing of communities and society through various environmental and social measures. In today's world, customers, employees and other stakeholders judge a company by how its activity impacts the community, economy, environment and society at large.

The Company looks forward to supporting and investing in the communities in which it operates through a variety of CSR initiatives. During the year under review, the Company had focused its CSR initiatives on health and education, vocational training, women's empowerment, and environment. More details of the Company's CSR activities are covered in the CSR corner on page 252 to 254.

## Changes in Nature of Business

No change has occurred during the financial year under review concerning the nature of the business.

## Default of Payments, Debt / Loan Taxes and Duties

The Company adheres to the schedule of re-payments of the amount due. Furthermore, no payment on account of taxes, duties and levies was overdue or outstanding at the end of the financial year under review.

# DIRECTORS' REPORT

## Subsequent Events

There were no material changes or commitments affecting the financial position of the Company occurring between the end of the financial year of the Company and the date of this report except as discussed in this report.

## Internal Financial Controls

The Board oversee the development and implementation of internal controls by the management. The Board also monitors management's response to accounting and reporting control deficiencies and weaknesses. The Board understands that internal control oversight is one of the most important roles in helping an organization reach its goals.

Internal controls include the mechanisms, rules, and procedures implemented by the organization to ensure the integrity of financial and accounting information, promote accountability, ensuring regulatory compliance and prevent fraud and errors. The internal control program is enforced through thoughtful, risk-based assessments. Internal audit plays an important role in evaluating the effectiveness of these internal control systems.

The Company's system of internal controls is designed to provide reasonable assurance regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The most effective way to combat irregularities and discrepancies is to build a strong framework of internal controls by reinforcing the five pillars of internal controls i.e., control environment, risk assessment, corporate governance, information and communication, and monitoring.

## Material Changes and Commitments

No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year of the Company to which the balance sheet relates and the date of the report.

## Financial Statements

The auditors of the Company, KPMG Taseer Hadi & Co., Chartered Accountants, audited the financial statements of the Company and have issued an unqualified report to the members.

## Risk Management

The Board bears the responsibility for implementing risk management, monitoring operational risks and measures related to risks. The Board ensures that there is a risk management strategy that includes procedures to review risk profile and the policies put in place to avert the risks

that have been identified;

The Risk Management Committee has overall responsibility for monitoring the implementation of the risk management policies and associated practices of the Company. The risk management committee is also responsible for reviewing and approving risk disclosure statements in any public documents or disclosures.

The Board has overall responsibility for ensuring that an effective risk management process is in place. This encompasses identification and prioritization of strategic, financial, operational, legal and external risks and establishment of controls to mitigate these risks.

Operational risks relate to customers relationship, project management risks, health and safety risks, supply chain management risks, human resource related risks and risks pertaining to information technology. The Company addresses these risks by determining risks response strategies which includes avoid, transfer, reduce and accept strategy.

Financial risks include credit risks, market risks and liquidity risks. The company manages its foreign currency risks by hedging its exposure wherever possible, credit risk is managed by following credit policy. During the year the Company followed a conscious strategy of low risk and placed surplus funds in government securities. The Company addresses liquidity risks by ensuring sufficient liquidity to meet liabilities when due.

Strategic risks arising from unfavorable economic policies and conditions, security concerns and customer demand create a risk of loss of business. These risks are managed through strategic business alignment and its effects are addressed in the budgeting process of the Company.

## Corporate and Financial Reporting Framework

The Company is committed to maintain high standards of corporate governance; the Company is compliant with the provisions of the Code of Corporate Governance 2019.

The Directors confirm that:

- a) The financial statements prepared by the Management of the Company presents fairly its state of affairs, the results of its operations, cash flow and changes in equity;
- b) Proper books of accounts of the Company have been maintained;
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and

## DIRECTORS' REPORT

prudent judgment;

- d) International Financial Reporting Standards, as applicable in Pakistan and the requirements of Companies Act, 2017 have been followed in preparation of the financial statements; and any departure thereof has been adequately disclosed and explained;
- e) The system of internal control is sound in design and has been effectively implemented and monitored;
- f) There are no significant doubts upon the Company's ability to continue as a going concern;
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;

### Compliance with the Code of Corporate Governance

The "Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019" (CCG) is annexed (page 67).

### Auditors

The auditors, KPMG Taseer Hadi & Co., Chartered Accountants, retire at the conclusion of the Annual General Meeting. Being eligible, they have offered themselves for re-appointment.

As suggested by the Board Audit Committee, the Board recommended the appointment of KPMG Taseer Hadi & Co., Chartered Accountants as auditors of the Company for the year 2022-23.

### Contribution to the National Exchequer

During the year under review the Company contributed an amount of Rs 1,402.87 Million to the national exchequer on account of direct and indirect taxes and levies as compared to Rs 1,327.37 Million during the corresponding period. In addition, the Company had also made foreign exchange savings of US\$ 24.99 Million (approx.) through import substitution during the year.

### Forward Looking Information

We continue to have a positive outlook on the long-term growth potential of the business. It is anticipated that the business environment will be highly challenging. The cost of production is rising due to increased prices of raw materials, utilities, wages and weakening of the rupee against the dollar. The management remains fully committed towards managing these challenges and delivering sustainable profitable growth capitalizing on

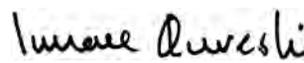
our strengths. The management is determined to avail full benefits of opportunities that may come its way. We will continue to focus on quality improvement, innovations and opportunities in a challenging macroeconomic, political and social environment to improve productivity and enhance shareholders value.

The Company has brought certain improvements in its manufacturing capacity with various initiatives, undertaken from time to time. The Company will endeavor to improve its sales volumes by fully utilizing the available production capacity and price revision of products will be made, wherever necessary, to manage impact of cost escalations on margins.

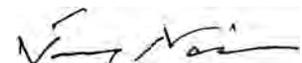
### Acknowledgement

The Board would like to place on record appreciation for the valuable contribution made by its employees in achieving the Company's objectives. We are also thankful to the Board of Directors, Shareholders, Customers and other Stakeholders for their continued support that will bring improvement and success to the Company.

On behalf of the Board of Directors



**Imran Qureshi**  
Chief Executive Officer  
Karachi

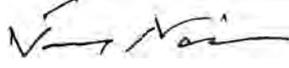


**Jamal Nasim**  
Director

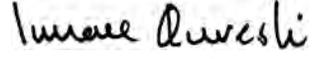
Dated: September 29, 2022

اظہار تشکر  
بورڈ ملازمین کی جانب سے کمپنی مقاصد کے حصول کے لیے اپنی انتھک محنت اور کوششوں کو قدر کی نگاہ سے دیکھتی ہے اور ان کا شکریہ ادا کرتی ہے۔ ہم اپنے بورڈ آف ڈائریکٹرز، شیئر ہولڈرز، صارفین اور دیگر اسٹیک ہولڈرز کے مسلسل تعاون کا شکریہ ادا کرتے ہیں جس سے مزید بہتری اور کمپنی کی ترقی وابستہ ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے



جمال نسیم  
ڈائریکٹر



عمران قریشی  
چیف ایگزیکٹو آفیسر

کراچی

تاریخ: 29 ستمبر 2022

## کارپوریٹ اور فنانشل رپورٹنگ فریم ورک

کمپنی کارپوریٹ گورننس کے اعلیٰ معیاروں کی تعمیل کے لیے پرعزم ہے، کمپنی کوڈ آف کارپوریٹ گورننس 2019 کی شرائط پر عمل درآمد کر رہی ہے۔ ڈائریکٹرز تصدیق کرتے ہیں کہ:

- کمپنی کے مالیاتی گوشوارے انتظامیہ کی جانب سے تیار کئے گئے ہیں جن میں کمپنی کے معاملات، اس کے کاروباری نتائج، کیش فلوز اور ایکویٹی میں تبدیلیوں کو پیش کیا گیا ہے۔
- کمپنی نے اپنے اکاؤنٹ کی باقاعدہ بکس برقرار رکھی ہیں۔
- کمپنی نے اپنے مالیاتی گوشواروں کی تیاری میں پائیدار اور مناسب اکاؤنٹنگ پالیسیوں پر عمل درآمد کیا ہے۔ اکاؤنٹنگ کے تخمینے احتیاط سے اور موزون اندازے کی بنیاد پر لگائے گئے ہیں۔
- مالیاتی گوشواروں کی تیاری میں پاکستان میں لاگو بین الاقوامی فنانشل رپورٹنگ اسٹینڈرڈز اور کمپنیز ایکٹ 2017 کی شرائط پر عمل کیا گیا ہے اور کسی طرح کے بھی انحراف کو باقاعدہ واضح کیا گیا ہے۔
- کمپنی میں اندرونی ضابطہ کا موثر نظام موجود ہے اور اس پر مسلسل عمل درآمد اور نگرانی جاری رہتی ہے۔
- کمپنی کی کام جاری رکھنے کی صلاحیت پر کسی بھی قسم کے قابل ذکر شبہات نہیں ہیں۔
- کارپوریٹ گورننس کے بہترین تجربات سے کسی بھی قسم کا انحراف دیکھنے میں نہیں آیا، جیسا کہ لسٹنگ ریگولیشنز میں واضح کیا گیا ہے۔

## کوڈ آف کارپوریٹ گورننس پر عمل درآمد

’لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز (CCG) 2019 پر عمل درآمد سے متعلق بیان‘، صفحہ نمبر 67 پر منسلک ہے۔

## آڈیٹرز

آڈیٹرز کے پی ایم جی تاثیر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹس، سالانہ اجلاس عام کے اختتام پر ریٹائر ہو رہے ہیں، اہلیت کی بنیاد پر انہوں نے خود کو دوبارہ انتخاب کے لیے پیش کیا ہے۔ بورڈ آڈٹ کمیٹی کی تجویز پر، بورڈ نے کے پی ایم جی تاثیر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹس کو سال 2022-23 کے لیے کمپنی کے آڈیٹرز کے طور پر منتخب کرنے کی توثیق کی ہے۔

## قومی خزانے کے ساتھ تعاون

کمپنی نے زیر جائزہ سال کے دوران قومی خزانے میں بلواسطہ اور بلاواسطہ ٹیکسیز اور لیویز پر مشتمل 1402.87 ملین روپے ٹیکسوں کی مد میں جمع کرائے جو گزشتہ سال کے دوران 1,327.37 ملین روپے تھے اس کے علاوہ سال کے دوران برآمدات میں کمی کے ذریعے کمپنی ملک میں 24.99 ملین ڈالر (تقریباً) کا قیمتی زر مبادلہ بچایا۔

## مستقبل کے حوالے سے تفصیلات

ہم نے بزنس کی طویل مدتی ترقی کے مثبت رجحان کا تسلسل جاری رکھا۔ اندازہ لگایا جا رہا ہے کہ بزنس کا ماحول انتہائی مشکل رہے گا۔ خام مال، یوٹیلٹی، مراعات کی قیمتوں میں اضافے اور ڈالر کے مقابلے میں روپے کی کمزوری سے پیداواری لاگت بڑھ گئی ہے۔ انتظامیہ ان مسائل پر قابو پانے کے لیے پرعزم ہے اور اپنی صلاحیتوں کے بھرپور استعمال سے منافع بخش ترقی کی فراہمی کے لیے کوشاں ہے۔ کمپنی کی انتظامیہ اپنے کاروباری راستے میں آنے والے تمام مواقع سے فائدہ اٹھانے کے لیے بھی تیار ہے۔ ہم معیار کی بہتری، جدت اور چیلنجنگ میکرو اکنامک، سیاسی و سماجی ماحول میں موجود مواقع کو ترجیح دیتے ہوئے اپنی پیداوار میں اضافے اور شیئر ہولڈرز کی قدر میں بہتری کے امور جاری رکھیں گے۔

کمپنی نے وقتاً فوقتاً اٹھائے گئے اقدامات کے ذریعے اپنی مینوفیکچرنگ صلاحیت میں خاطر خواہ بہتری حاصل کرنے میں کامیابی حاصل کی ہے۔ کمپنی اپنی سیلز کی مقدار میں بھی موجودہ پیداواری صلاحیت کے مکمل استعمال اور پروڈکٹس کی قیمتوں پر نظر ثانی کے ذریعے اضافے کا ارادہ رکھتی ہے، اس ضمن میں ضرورت کے وقت منافع اور قیمتوں کے تعین کا انتظام کیا جائے گا۔

انضباطی تعمیل، فراڈ اور غلطیوں سے بچنے کو یقینی بنایا جاتا ہے۔ انٹرنل کنٹرول پروگرام کو غور و خاص سے خطرات کی نشاندہی کے ذریعے نافذ کیا جاتا ہے۔ اندرونی ضابطے کے سسٹم کی فعالیت کو جانچنے میں داخلی آڈٹ اہم کردار ادا کرتا ہے۔

کمپنی کا اندرونی ضابطوں کا نظام اس بات کو یقینی بنانے کے لیے وضع کردہ ہے کہ آپریشنز کی فعالیت اور موثر ہونے، مالیاتی رپورٹنگ کی پائیداری اور نافذ قوانین اور ضوابط کی تعمیل ناگزیر ہو۔ قوانین کی خلاف ورزی اور تضاد کے خاتمے کا سب سے موثر طریقہ اندرونی ضابطوں پر مشتمل ایک زبردست فریم ورک مرتب کرنا ہے جو انٹرنل کنٹرولز کے پانچ ستونوں پر تعمیل سے حاصل ہو سکتا ہے مثلاً ماحول پر ضابطہ، خطرے کی نشاندہی، کارپوریٹ گورننس، انفارمیشن و کمیونیکیشن اور نگرانی۔

## اہم تبدیلیاں اور معاہدے

کمپنی کے مالیاتی سال کے اختتام سے اس رپورٹ کی تاریخ کے درمیان بیلنس شیٹ پر اثر انداز ہونے سے متعلق کوئی اہم تبدیلیاں یا معاہدے نہیں ہوئے۔

## مالیاتی گوشوارے

کمپنی کے آڈیٹرز، کے پی ایم جی تاثیر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹس، نے کمپنی کے مالیاتی گوشواروں کا آڈٹ کیا ہے اور ممبران کو غیر منظور شدہ رپورٹ جاری کی ہے۔

## رسک مینجمنٹ

بورڈ پر رسک مینجمنٹ پر تعمیل، کاروباری خطرات کی نگرانی اور خطرات پر قابو پانے کے اقدامات کی ذمہ داری عائد ہوتی ہے۔ بورڈ اس بات کو یقینی بناتا ہے کہ ایسی رسک مینجمنٹ اسٹریٹیجی موجود ہے جس میں خطرات کے جائزے اور نافذ پالیسیوں کے طریقہ کار شامل ہیں جس سے خطرات کی نشاندہی یقینی ہو۔

رسک مینجمنٹ کمیٹی کمپنی میں نافذ رسک مینجمنٹ پالیسیوں اور متعلقہ تجربات پر عمل درآمد کی نگرانی کے لیے مجموعی طور پر ذمہ دار ہے۔ رسک مینجمنٹ کمیٹی کی یہ بھی ذمہ داری ہے کہ کسی بھی پبلک دستاویزات یا وضاحتوں میں خطرات کی آگہی سے متعلق گوشواروں کی نگرانی اور منظوری دے۔

کمپنی میں موثر رسک مینجمنٹ پروسیس کی فعالیت کو یقینی بنانا بورڈ کی مجموعی ذمہ داری ہے۔ اس میں اہم کاروباری، مالیاتی، انتظامی، قانونی اور بیرونی خطرات کی نشاندہی اور ترجیحی بنیادوں پر ان خطرات کے سدباب کے لیے ضابطوں کا قیام بھی شامل ہے۔

صارفین سے تعلقات پر مبنی خطرات، پروجیکٹ مینجمنٹ رسک، صحت اور حفاظت کے خطرات، سپلائی چین کے خطرات، انسانی وسائل سے متعلق خطرات اور انفارمیشن ٹیکنالوجی سے منسلک خطرات کاروباری خطرات سے تعلق رکھتے ہیں۔ کمپنی ان خطرات کی نشاندہی کے بعد قابو پانے کی منصوبہ بندیوں پر عمل کرتی ہے، جن میں ان سے اعراض، منتقلی، کمی اور قبولیت کے طریقے شامل ہیں۔

مالیاتی خطرات میں کریڈٹ رسک، مارکیٹ رسک اور لیکویڈٹی رسک شامل ہیں۔ کمپنی ممکنہ حد تک کمی کے ذریعے اپنے فارن کرنسی رسک سے نبرد آزما ہوتی ہے، کریڈٹ پالیسی پر عمل درآمد سے کریڈٹ رسک کا انتظام کیا جاتا ہے۔ دوران سال کمپنی نے حکومتی سیکورٹیز میں اضافی فنڈز رکھ کر محفوظ منصوبہ بندی پر عمل کیا۔ کمپنی ضرورت کے وقت واجبات کی ادائیگی کے لیے مناسب لیکویڈٹی کے یقینی بنا کر لیکویڈٹی رسک پر کنٹرول کرتی ہے۔

خراب معاشی پالیسیوں اور حالات، حفاظتی مسائل اور صارفین کی طلب کے نتیجے میں پیدا ہونے والے اسٹریٹجک خطرات سے کاروباری نقصان کا اندیشہ ہوتا ہے۔ ان خطرات پر اسٹریٹجک کاروباری طرز عمل کے ذریعے قابو پایا جاتا ہے اور کمپنی کے بجٹ پروسیس میں ان کے اثرات زائل کئے جاتے ہیں۔

## ڈائریکٹرز کا معاوضہ

چیف ایگزیکٹو آفیسر کے علاوہ کمپنی کے تمام ڈائریکٹرز نان ایگزیکٹو ڈائریکٹرز ہیں۔ بورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کے لیے نان ایگزیکٹو ڈائریکٹرز کا مشاہرہ کمپنی کے سالانہ اجلاس عام میں انڈسٹری کے موجودہ رجحانات اور کاروباری تجربات کی بنیاد پر طے کیا جاتا ہے۔ چیف ایگزیکٹو آفیسر اور دیگر ڈائریکٹرز کو ادا کئے جانے والے مشاہرے کی تفصیل مالیاتی گوشواروں کے نوٹ نمبر 30 میں فراہم کی گئی ہے۔

## شیر ہولڈنگ کا طریقہ کار

کمپنیز ایکٹ 2017 کے سیکشن (f) 227(2) کے مطابق 30 جون 2022 کو شیر ہولڈنگ کے طریقہ کار کو واضح کرنے والا اسٹیٹمنٹ اس رپورٹ کے ساتھ منسلک ہے۔

## کاروباری تسلسل کی منصوبہ بندی

ایک فعال ادارے کے طور پر کمپنی کی کاروبار جاری رکھنے کی صلاحیت کسی بھی شکوک و شبہات سے پاک ہے۔

## کاروباری سماجی ذمہ داری (CSR)

کمپنی مختلف ماحولیاتی اور سماجی اقدامات کے ذریعے معاشرے اور سوسائٹی کی فلاح و بہبود میں کام کرنے کے لیے پرعزم ہے۔ آج کے دور میں، صارفین، ملازمین اور دیگر شراکت داروں کی جانب سے کمپنی کی سرگرمیوں سے معاشرے، معیشت، ماحول اور سوسائٹی پر پڑنے والے اثرات پر نظر رکھی جاتی ہے۔

کمپنی سی ایس آر سے متعلق مختلف اقدامات کے ذریعے اپنے قریبی علاقوں میں سماجی سرمایہ کاری اور فلاح و بہبود کے امور انجام دیتی ہے۔ زیر جائزہ سال کے دوران، کمپنی نے اپنے سی ایس آر اقدامات کے ذریعے صحت اور تعلیم، وکیشنل ٹریننگ، خواتین کو باختیار بنانے اور ماحول کی بہتری کے امور کے توجہ دی۔ کمپنی کے سی ایس آر سرگرمیوں کی تفصیل اس رپورٹ کے سی ایس آر سیکشن میں صفحہ نمبر 250 سے 254 پر موجود ہے۔

## کاروباری نوعیت میں تبدیلیاں

زیر جائزہ مالیاتی سال کے دوران کاروباری نوعیت میں کسی بھی قسم کی کوئی تبدیلی واقع نہیں ہوئی۔

## ادائیگیوں، قرض / قرض کے ٹیکس اور ڈیویڈنڈ کی نادرہنگی

کمپنی واجب الادا رقم کی واپسی کے شیڈول پر عمل کرتی ہے۔ مزید برآں، زیر جائزہ مالیاتی سال کے اختتام پر ٹیکسز، ڈیویڈنڈ اور لیویز کی مد میں کوئی ادائیگی زائد المعاد نہیں تھی۔

## بعد کے واقعات

کمپنی کے مالیاتی سال کے اختتام اور اس رپورٹ کی تاریخ کے درمیان کمپنی کی مالیاتی پوزیشن پر اثر انداز ہونے والی کوئی ایسی اہم تبدیلیاں یا معاہدے نہیں ہوئے، ماسوائے جن پر اس رپورٹ میں تبادلہ خیال کیا گیا ہے۔

## داخلی مالیاتی ضابطوں کا نظام

انتظامیہ کی جانب سے داخلی ضابطوں پر عمل درآمد اور بہتری کے امور کی نگرانی بورڈ کے ذمہ ہے۔ بورڈ کی یہ بھی ذمہ داری ہے کہ انتظامیہ کی جانب سے ممکنہ خطرات اور کمزوریوں پر قابو پانے سے متعلق امور کی نگرانی کرے۔ بورڈ اس بات کو بخوبی سمجھتا ہے کہ داخلی ضابطوں کی نگرانی ادارے کے مقاصد حاصل کرنے میں مدد کے لیے سب سے زیادہ اہمیت کی حامل ہے۔

اندرونی ضابطوں میں ادارے کی جانب سے زیر تعمیل طریقہ کار، قوانین اور ضوابط شامل ہوتے ہیں جن سے مالیاتی دیانتداری اور حساب و کتاب کی معلومات، احتساب کے فروغ،

تقاضوں کی تعمیل میں بڑی تعداد میں درخت لگائے گئے۔

## بورڈ اور کمیٹیوں میں تبدیلیاں

پاکستان سکیورٹی پرنٹنگ کارپوریشن (پرائیویٹ) لمیٹڈ کی جانب سے نامزدگی واپس لینے کے بعد، ڈاکٹر محمد اشرف بٹ کا بورڈ ممبر بننا موقوف رہا۔

جناب عمران قریشی نے ڈاکٹر محمد اشرف بٹ کی جگہ پر کمپنی کے چیف ایگزیکٹو آفیسر کے طور پر خدمات سنبھال لی ہیں۔

بورڈ نے نئے چیف ایگزیکٹو آفیسر کو خوش آمدید کہا اور سبکدوش ہونے والے ڈائریکٹر/چیف ایگزیکٹو آفیسر کی قابل قدر خدمات کو سراہا جو انہوں نے بورڈ آف ڈائریکٹرز اور اس کی مختلف کمیٹیوں میں ممبر کی حیثیت سے انجام دیں۔

## چیئر مین کا جائزہ

ڈائریکٹرز کا بورڈ اس رپورٹ کے صفحہ نمبر 35 پر منسلک چیئر مین کے جائزے کے متن کی توثیق کرتا ہے۔

## بورڈ کی تشکیل

بورڈ کی تشکیل لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے تقاضوں کی تعمیل میں ہے جو لسٹڈ اداروں پر نافذ ہے وہ درج ذیل میں درج ہے:

ڈائریکٹرز کی کل تعداد

8	الف) مرد
2	ب) خواتین

## تشکیل

3	آزاد ڈائریکٹرز	(i)
1	ایگزیکٹو ڈائریکٹرز	(ii)
6	نان ایگزیکٹو ڈائریکٹرز	(iii)

ڈائریکٹرز کے نام

چیئر مین	جناب محمد افتاب منظور
ڈائریکٹر، آزاد	جناب محمد صالح احمد فاروقی
ڈائریکٹر، آزاد	محترمہ عظمیٰ اعجاز
ڈائریکٹر، آزاد	جناب منیر احمد
ڈائریکٹر	جناب جمال نسیم
ڈائریکٹر	ڈاکٹر ابوالقاسم جمشیدی
ڈائریکٹر	محترمہ فگن کالسن
ڈائریکٹر	حافظ محمد یوسف
ڈائریکٹر	جناب شفقات احمد
چیف ایگزیکٹو آفیسر	جناب عمران قریشی

کمپنی نے دوران سال ورکنگ کیمپنل کے بہتر انتظام میں زبردست ترقی حاصل کی جس میں انویسٹری مینجمنٹ اور کیش وصولی کے بہتر انتظام میں زبردست اقدامات اٹھائے۔ ہم موثر انویسٹری پلاننگ اور ادھار پر ضابطے سے لین دین کے بہتر انتظام کے لیے کوشاں ہیں۔ دوران سال کمپنی کے زیر استعمال سرمایہ پر منافع 13.20 فیصد رہا جو اس بات کا ثبوت ہے کہ اثاثہ جات اور وسائل کے موثر استعمال سے شیئر ہولڈرز کے لیے کس طرح پرکشش منافع حاصل کرنے کی کوششیں جاری ہیں۔

ہم اپنے وسائل کے بھرپور انتظام سے اپنی مالیاتی قوت کو مزید تقویت دینے کے لیے پرعزم ہیں۔ کمپنی جدت، منصوبہ بندی، اخراجات پر کنٹرول، انتظامی جائزے، پروڈکٹس میں توسیع اور محتاط مالیاتی انتظام پر مشتمل مختلف اقدامات کی بدولت مستقبل کے چیلنجز کا سامنا کرنے کی زبردست پوزیشن میں ہے۔

## پیداوار

کمپنی نے زیادہ سے زیادہ پیداواری سوچ کے نتیجے میں 4,187 ٹن بینک نوٹ اور دیگر سیکورٹی پیپرز کی پروڈکشن حاصل کی جو گزشتہ سال کی اسی مدت کے دوران 4,138 ٹن تھی۔ وسائل کے موثر استعمال اور پیداواری ضیاع پر قابو پانے سے پیداواری لاگت پر ضابطہ رہا۔ روپے کی ناقدری سے برآمدہ خام مال کی قیمتوں میں اضافہ رہا۔ تاہم وسائل کے موثر استعمال کے نتیجے میں پیداوار میں اضافہ اور پیپر کے معیار میں بہتری حاصل ہوئی۔ دوران سال کسی قسم کے بڑے مسائل نہیں رہے کیونکہ حفاظتی اور احتیاطی دیکھ بھال کا نظام موثر ہونے کے ساتھ تمام پیداواری امور کی موثر اور بروقت نگرانی جاری رہی۔

## سیلز

مالیاتی سال 2021-22 کے دوران، ہمارے بینک نوٹ پیپر کے بنیادی کاروبار نے عمدہ کارکردگی کا مظاہرہ کیا۔ صارفین کی طلب کے عین مطابق تمام مالیتوں کے بینک نوٹ پیپر فروخت کئے گئے۔ کمپنی نے دیگر سیکورٹی پیپر پروڈکٹس سے بھی اچھا کاروبار حاصل کیا مثلاً نان جوڈیشیل پیپر، پرائز بانڈ پیپر، پارچمنٹ پیپر اور بورڈ اور یونیورسٹیوں کے لیے ڈگری پیپر۔

زیر جائزہ سال کے دوران، کمپنی سیلز کی مقدار 4,176 ٹن حاصل کرنے میں کامیاب رہی جبکہ گزشتہ سال کی اسی مدت کے دوران یہ مقدار 4,163 ٹن تھی۔ قدر کے اعتبار سے کمپنی کی مجموعی سیلز 2.91 فیصد ترقی کے ساتھ 5,147.26 ملین روپے رہی جو گزشتہ سال کے دوران 5,001.69 ملین روپے تھی۔

بینک نوٹ پیپر کے اہم جزو، کاٹن کامبر کی قیمتوں میں اتار چڑھاؤ کے سبب منافع پر دباؤ برقرار رہا۔ اسی طرح، درآمدہ خال مال کی قیمت، بشمول سیکورٹی تھریڈ اور کیمیکلز کی قیمت میں بھی اضافہ، سپلائرز کی جانب سے قیمت اور کرایے کی لاگت میں خاطر خواہ اضافے سے منافع پر دباؤ برقرار رہا۔

## بنیادی سرگرمی

کمپنی کی بنیادی سرگرمی بینک نوٹ اور نان بینک نوٹ سیکورٹی دستاویزات کے لیے مخصوص کاغذ کی تیاری اور فروخت ہے۔

## حفاظت، صحت اور ماحولیات

کمپنی نے حفاظت، صحت اور ماحولیات کے تحفظ کے لیے بھرپور کوششیں جاری رکھی ہوئی ہیں۔ کاروبار کی پائیدار ترقی کے لیے، ہم نے آکیو پینٹل ہیلتھ اینڈ سیفٹی مینجمنٹ سسٹم (ISO 45001:2008)، انوائرنمنٹ مینجمنٹ سسٹم (ISO 14001:2015) اور کوالٹی مینجمنٹ سسٹم (ISO 9001:2015) سرٹیفیکیشن قائم کر رکھے ہیں۔

کمپنی نے غیر محفوظ اور غیر صحت بخش کام کے تجربات / حالات کو کم کرنے کے لیے بامقصد کوششیں کی ہیں۔ کام کی جگہ کے تحفظ سے متعلق آگہی ملازمین کی حفاظت اور صحت کو یقینی بنانے میں اہمیت کی حامل ہے۔ تمام ڈپارٹمنٹس کو ذاتی حفاظت کا سامان فراہم کیا گیا اور اس کا استعمال بھی یقینی بنایا گیا۔ حقیقی خطرے والے ایریز میں معیاری آگہی کے نشانات، خطرے کی جگہ سے متعلق سائن بورڈ لگائے گئے۔

ایس جی ایس پاکستان (پرائیویٹ) لمیٹڈ کی جانب سے انوائرنمنٹ مینجمنٹ سسٹم کا کامیاب آڈٹ پلانٹ آپریشنز، ملازمین اور معاشرے کے لیے محفوظ ماحول کی نشاندہی کرتا ہے۔ آلودگی پر قابو پانے کے لیے فیلٹری ایریا کے ارد گرد صفائی اور سبزہ زار کا بندوبست کیا گیا ہے۔ مالیاتی سال 2021-22 کے دوران سندھ انوائرنمنٹل پروٹیکشن ایجنسی کے

## کاروباری جائزہ

مشکل اقتصادی ماحول میں، مالیاتی سال 2021-22 سیکورٹی پیپر لمیٹڈ کی کارکردگی کا ایک اور اچھا سال رہا۔ انتظامیہ نے کاروباری انتظامی اور مالیاتی کارکردگی کے لیے بھرپور کوششیں جاری رکھیں۔ مہنگائی کے تسلسل اور روپے کی ناقدری نے مینوفیکچرنگ کے اخراجات کو بڑھا دیا ہے۔ اخراجات پر قابو پانے اور خرچے کم کرنے کے نتیجے میں کاروبار کے منافع کو منظم کرنے میں کمپنی کے معاون ثابت ہوئے۔

ملکی معیشت میں 5.97 فیصد ترقی دیکھی گئی۔ تاہم مالی سال 2021-22 کی دوسری ششماہی کے دوران کرنٹ اکاؤنٹ کا خسارہ بڑھنے اور زرمبادلہ کے ذخائر میں کمی سے اقتصادی عدم توازن پیدا ہوا۔ معیشت میں عدم توازن کو ختم کرنے کے پیش نظر، حکومت نے درآمدات پر ریگولیٹری ڈیوٹیز کے نفاذ، روپے کی ناقدری اور پالیسی ریٹ میں اضافہ جیسے سخت اقدامات اٹھائے۔ معیشت میں اتار چڑھاؤ کے باوجود، کمپنی نے 5,147.26 ملین روپے کا سب سے زیادہ سیلز ریویو حاصل کیا اور بعد ازاں 948.99 ملین روپے کا منافع کمانے میں کامیاب رہی۔

ہم نے عالمی طور پر مشکلات کے شکار سال میں اجتماعی کوششوں سے اپنی قدر بڑھانے کے لیے کام کیا۔ ہم نے اپنی کارکردگی کی بہتری، اخراجات پر کنٹرول اور اپنی طاقت کے استعمال سے ترقی کا سفر جاری رکھا۔ بینک نوٹس اور دیگر سیکورٹی پیپر پروڈکٹس میں استعمال ہونے والے بڑے جزو کاٹن کا مہر کی خریداری اس سال کا بڑا چیلنج تھا کیونکہ ملک میں کمپاس کی پیداوار بہت کم ہوئی۔ تاہم ہمارے زبردست انیڈنٹ مینجمنٹ فریم ورک کی بدولت COVID-19 کی وبائی صورتحال میں ہمارا سپلائی چین غیر متاثر رہا۔ اسی کے نتیجے میں ہم اپنی زبردست انتظامی ساکھ اور اپنے شیئر ہولڈرز کے لیے منافع کی فراہمی کے من پسند اہداف حاصل کرنے میں کامیاب رہے۔

کمپنی اپنے صارفین کی طلب کو پورا کرنے کے بدلتے ہوئے ماحول میں ترقی کے اپنے معیار کو برقرار رکھنے کے لیے پرعزم رہنے کے ساتھ ترقی اور استحکام کو یقینی بنانے کے لیے کوشاں ہے۔ سیکورٹی پیپر لمیٹڈ ملک کا واحد ادارہ ہے جو بینک نوٹ اور دیگر سیکورٹی پیپر پروڈکٹس کی تیاری میں مصروف ہے۔ دوران سال کمپنی نے اعلیٰ معیاری سیکورٹی پیپر پروڈکٹس کی تیاری کا کام جاری رکھتے ہوئے بینک نوٹس اور دیگر سیکورٹی پیپر پروڈکٹس کی اضافی طلب کو پورا کیا۔ کمپنی ایسے کاروباری شعبوں میں شمولیت کے لیے بھی کوششوں میں مصروف ہے جس سے ہم اپنے سیکورٹی پیپر تیار کرنے کی مستحکم طاقت کو مزید استعمال میں لاسکیں۔ کمپنی اپنی پروڈکٹس میں توسیع کے ساتھ سیکورٹی پیپر پروڈکٹس تیار کرنے والے رہنما کی حیثیت میں ترقی کے لیے پرعزم ہے۔

ہم نے اپنے کاروباری مواقع کو توسیع دینے اور نئی پروڈکٹس میں شامل ہونے کی کوششیں تیز کر رکھی ہیں۔ اپنے پروڈکٹس کے معیار کو مزید بہتر کرنے کے لیے وسعت کے ساتھ موجود ہ بنس کو بڑھانے والی پروڈکٹس کی توسیع کا کام بھی جاری ہے۔ زیر جائزہ سال کے دوران کمپنی محفوظ واٹر مارک بیٹ پیپر کی فراہمی کے لیے الیکشن کمیشن آف پاکستان سے آرڈر لینے میں کامیاب رہی۔ یہ حقیقت میں اپنی پروڈکٹس اور صارفین میں اضافے کی ہماری کوششوں میں ایک بڑا کارنامہ ہے۔

## انتظامی کارکردگی

زیر جائزہ سال کے دوران، کمپنی نے شاندار انتظامی کارکردگی اور بہتر مالیاتی انتظام کی بدولت کاروباری کارکردگی میں قابل ذکر بہتری ریکارڈ کی۔ اللہ تعالیٰ کے فضل و کرم سے، ہم اپنے صارفین کو اعلیٰ معیاری بینک نوٹس اور دیگر سیکورٹی پیپر کی مطلوبہ مقدار میں فراہمی پوری کرنے میں کامیاب رہے۔ مجموعی منافع گزشتہ سال کے 1882.85 ملین روپے کے مقابلے میں 1649.70 ملین روپے کے ساتھ کچھ کم رہا کیونکہ ہم نے بڑھتی ہوئی قیمتوں کے بوجھ کو مکمل طور پر صارفین پر منتقل نہیں کیا۔ دیگر آمدنی گزشتہ سال کے 590.05 ملین روپے کے مقابلے میں 36.62 فیصد کم رہی کیونکہ میچوکل فنڈز میں سرمایہ کاری پر نظر ثانی سے 141.54 ملین روپے نقصان کا سامنا رہا کیونکہ کیپٹل مارکیٹ میں گراؤٹ کے سبب گزشتہ سال کے 324.13 ملین روپے کے میچوکل فنڈز کی نظر ثانی کی۔

انتظامیہ کام کی جگہ پر کارکردگی کی بہتری اور پیشہ ورانہ ترقی کے ذریعے مہارتوں میں ترقی کے لیے کوشاں رہی۔ دوران سال نکلنے ہوئے کام کی نگرانی، پیداواری عمل، حفاظتی اور احتیاطی دیکھ بھال کا موثر نظام جاری رہا تاکہ پیداواری استحکام اور بہتری کا یقین رہے۔ خرابی کے امکانات میں کمی اور قیمتوں پر کنٹرول کے پروگرامز سے اخراجات میں کمی کی کوششیں جاری رکھی گئیں۔

## ڈائریکٹرز رپورٹ

محترم شیئر ہولڈرز،  
سیکیورٹی پیپر ز لمیٹڈ (کمپنی یا 'SPL') کے ڈائریکٹرز 30 جون 2022 کو ختم ہونے والے مالی سال کے لیے کمپنی کی سالانہ رپورٹ مع آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے  
نہایت خوشی محسوس کرتے ہیں۔

### کاروباری نتائج

30 جون 2022 کو ختم ہونے والے مالی سال کے لیے کمپنی کے کاروباری نتائج کا خلاصہ درج ذیل ہے۔

2021	2022	بیلز
5,001,692	5,147,258	مجموعی منافع
1,882,845	1,649,699	قبل از ٹیکس منافع
1,996,175	1,397,743	ٹیکس ادائیگی
469,412	480,745	جاری۔ موجودہ سال کے لیے
(568)	(413)	موجودہ، گزشتہ سال کے لیے
67,750	(31,578)	تاجیر شدہ / موخر شدہ
537,730	448,754	مجموعی ٹیکس
1,458,445	948,989	بعد از ٹیکس منافع
5,893	1,218	دیگر جامع آمدنی
1,464,338	950,207	مجموعی آمدنی

### فی شیئر آمدنی

بعد از ٹیکس فی شیئر آمدنی 16.02 روپے ہے (2021 میں 24.61 روپے)۔ فی شیئر آمدنی میں اضافہ شیئر ہولڈرز کے لیے قدر پیدا کرنے کی ہماری اہلیت کا ثبوت ہے۔

### تخصیصات

#### ڈیویڈنڈ

کمپنی کے بورڈ آف ڈائریکٹرز نے 26 اکتوبر 2022 کو منعقد ہونے والے سالانہ اجلاس عام میں ممبران سے منظوری کے لیے سال 2021-22 کے لیے درج ذیل تخصیصات کی سفارش کی ہے:

10 روپے فی شیئر یعنی 100 فیصد (2020-21): مجموعی نقد منافع منقسمہ فی شیئر 9 روپے یعنی 90 فیصد

### مالیاتی ذخائر کی منتقلی

356.430 ملین روپے (2020-21: 931.04 ملین روپے)

یہ تخصیصات کمپنیز ایکٹ 2017 کے ترمیم شدہ چوتھے شیڈول کی تعمیل میں، آئندہ مالیاتی گوشواروں میں پیش کی جائیں گی۔

# CORPORATE AWARDS HISTORY

ICMA INTERNATIONAL  
Lead strategically

Security Papers  
Limited



CA  
PAKISTAN

Best Corporate  
Transparency B

2  
Pos





# CORPORATE AWARDS HISTORY

## TOP COMPANIES AWARD

Security Papers Limited (SPL) was conferred the "Top 25 Companies Award of Pakistan Stock Exchange" for the year 2021. It secured the 6th position on the basis of the highest score achieved. The Company has the distinction of receiving this prestigious award for the years 2000 to 2007 and 2009 to 2016 and 2018 to 2021.



## BEST SUSTAINABILITY REPORT AWARD

SPL was ranked 4th position in the Best Sustainability Report Award 2021 that was conferred by the joint Committee of the Institute of Chartered Accountants of Pakistan (ICAP) and the institute of Cost and Management Accountants of Pakistan (ICMAP). The Company has also received this prestigious award for the year 2020.



## COMMITMENT TO ENVIRONMENTAL REPORTING

The Company has achieved another milestone by winning ACCA-WWF Environmental Reporting Award 2013. This demonstrates our commitment to environmental preservation and its effective management.

The Company received commendation for Commitment to Environmental Reporting in 2010 from ACCA-WWF\* Pakistan.

\* Association of Chartered Certified Accountants - World Wildlife Fund.



## CORPORATE AWARDS HISTORY

### BEST CORPORATE REPORT AWARD

SPL secured 2<sup>nd</sup> position in the Best Corporate Report Award for the year 2021 by country's two leading professional accounting bodies the Institute of Cost and Management Accountants of Pakistan (ICMAP) and the Institute of Chartered Accountants of Pakistan (ICAP). The Company's Annual Report of 2003 and 2006 to 2012 and 2020 also won the Best Corporate Report Award. The comprehensive selection criteria required inclusion of detailed information in the Annual Report on the subject of Corporate Objectives, Directors' Report Disclosure, Shareholder Information, Report Presentation and Corporate Governance.



### CORPORATE GOVERNANCE RATING

JCR-VIS Credit Rating Company Limited reaffirmed the Corporate Governance Rating of the Company at CGR-9, denoting 'high level of corporate governance' for the year 2013-14. The rating was measured on a scale ranging from CGR-1 (lowest) to CGR-10 (highest). Corporate Governance ratings are based on evaluation of key governance areas of the rated organization, which include Regulatory Compliance, Board Oversight, Management Profile, Self-regulation, Financial Transparency and Relationship with Stakeholders.



### ISO CERTIFICATIONS

#### CERTIFICATION OF INTEGRATED MANAGEMENT SYSTEM (IMS):

Quality Management System: - ISO 9001:2015 (03 April 2021 until 03 April 2024)

Environmental Management System: - ISO 14001:2015 (26 April 2021 until 26 April 2024)

Occupational Health and Safety Management System: - ISO 45001:2018 (31 March 2020 until 15 February 2023) Certification given by SGS United Kingdom Limited



# CORPORATE AWARDS HISTORY

## ENVIRONMENT EXCELLENCE AWARD

The National Forum for Environment & Health - NFEH conferred the 18th Annual Environmental Excellence Award in 2021 to Security Papers Limited. The award was given in recognition of the Company's vision and its effective implementation of Environment Management System and policies and after thorough assessment of its submitted documents and testimonials by the distinguished NFEH Panel of Jury. a unanimous decision of the distinguished Panel of Jury. The Company also received the 11th, 15th and 16th Annual Environment Excellence Awards in 2014, 2018 and 2019 respectively



## CORPORATE EXCELLENCE AWARD - MAP

Security Papers Limited (SPL) won the 37th Corporate Excellence Award of the Management Association of Pakistan (MAP). The Company holds 24th to 29th Awards (six times in a row), as well as 31st to 36th (six times in a row). The Award recognizes the best managed companies in Pakistan that follow guidelines and principles of the latest management techniques.



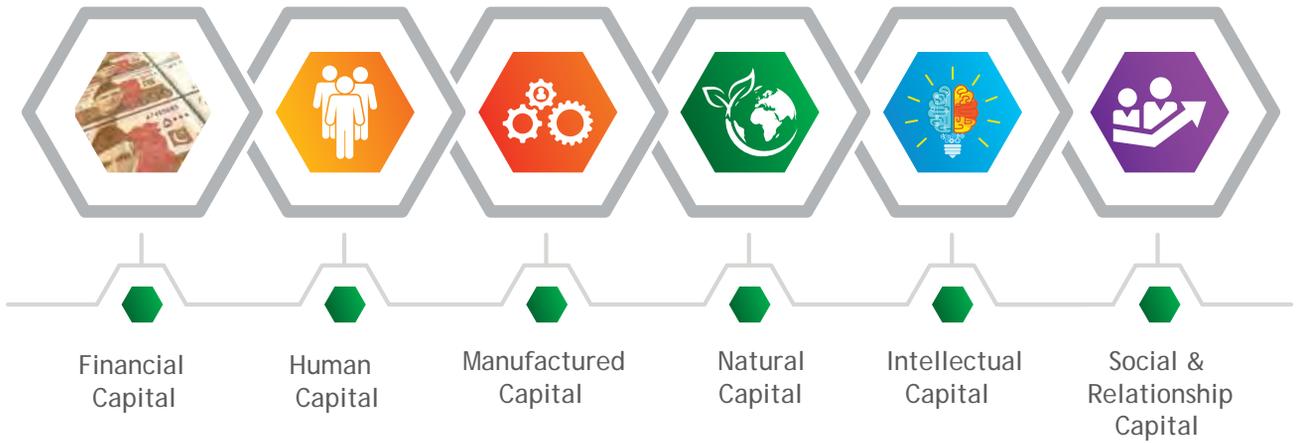
## FIRE AND SAFETY AWARD

The Company also won the Fire and Safety Award 2011, 2012 and 2013 for three consecutive years. The Award was jointly organized by the Fire Protection Association of Pakistan (FPAP) and the National Forum for Environment & Health (NFEH).



# OUR BUSINESS MODEL

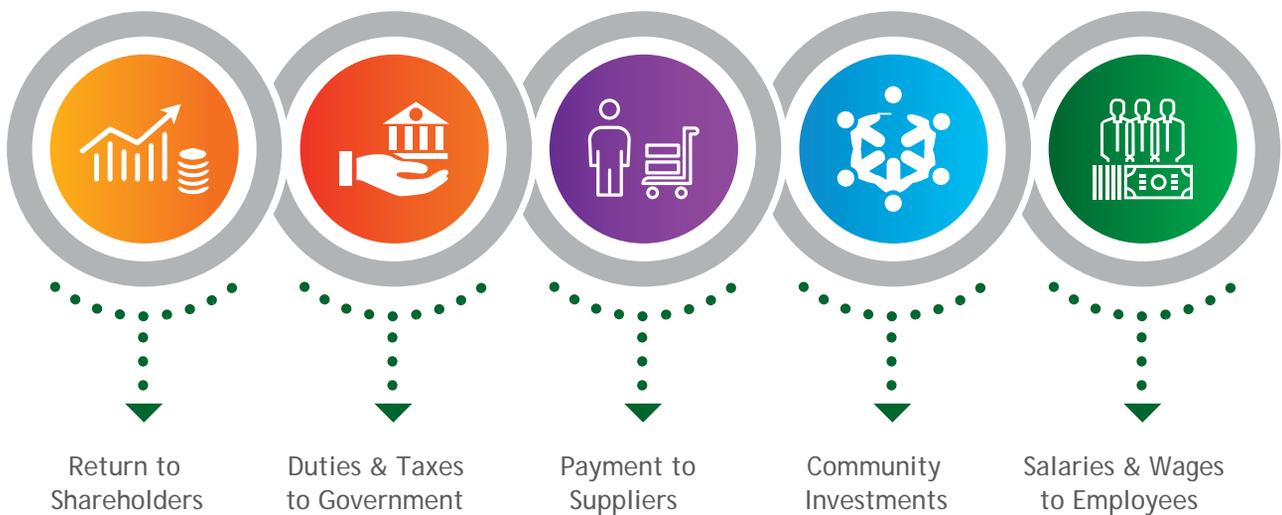
## Inputs



## Key Processes



## Value Distribution



# SWOT ANALYSIS

## Strengths

- Sole producer of banknote and security papers.
- Strong financial position due to continuous growth.
- In-house design and mould manufacturing capability.
- Technologically advanced plant & machinery with a history of timely upgrades.
- Experienced workforce with exposure of national and international trainings.
- Captive in-house power generation.
- Secured operating procedures and manufacturing protocols.
- Fully compliant integrated management systems.
- Environmental Sustainability.

## Opportunities

- Growing local demand for Security Paper products.
- Diversification into non-paper substrates for security documents.
- Diversification into complete security document suppliers.
- Export market for Security Paper products demanding strong authentication and anti-counterfeit security features.
- Opportunity for international / local partnerships in joint product development.



## Weaknesses

- Narrow product line.
- Reliance on single customer.
- Capacity constraints.
- Reliance on some key imported inputs.
- No presence in international markets.

## Threats

- Demonetization of smaller denominations (as have been done in the past) of Banknotes.
- Change of substrates from cotton to polymer.
- Erratic supplies of water from the utility provider.
- Single source for some specialized inputs.
- Volatility of exchange rates.
- Political instability.
- Rising input cost e.g., raw material prices, rates of utilities & etc.

# VALUE CHAIN ANALYSIS



BETTER CUSTOMER UNDERSTANDING

# SIGNIFICANT FACTORS AFFECTING EXTERNAL ENVIRONMENT AND THE COMPANY'S RESPONSE

External Factors	Description	Company's Response
<p>POLITICAL</p> 	<p>Abrupt and frequent changes in Government's policies impact the Company's business &amp; accordingly impact the confidence of the stakeholders.</p> <p>Globally, Russia - Ukraine war has kept international commodity prices including oil at elevated levels. Due to current political environment, rising international commodity prices and prevailing inflationary domestic environment, the input cost is on a rising trend.</p>	<p>Changes in Government policies and regulations are continuously and closely monitored by the Company for timely decision making.</p> <p>Timely adjustments are made in the organizational processes and policies in response to actual or anticipated changes in Government policies.</p>
<p>ECONOMIC</p> 	<p>Economic conditions have a direct impact on the Company's performance.</p> <p>Devaluation of currency, increasing interest rates and higher inflation leads to higher input costs and reduced margins.</p> <p>Price hike in major raw material and other input costs.</p>	<p>Company constantly strives to bring efficiencies in its manufacturing process and energy mix, which supports in mitigating adverse effect of increase in production cost. Further, cost reduction initiatives are planned for production and non-production related cost control.</p> <p>The Company actively monitors the economic factors and take steps to minimize its negative impact, include:</p> <ul style="list-style-type: none"> <li>• Effective inventory management by meticulously</li> <li>• reviewing inventory-holding periods.</li> <li>• Efficient raw material procurement.</li> <li>• Efficient management of Investment portfolio.</li> </ul> <p>Consistent market analysis by the Company and proactive material requirement planning to mitigate any unfavorable outcome on the Company's business.</p>
<p>SOCIAL</p> 	<p>As part of Company commitment towards Corporate Social Responsibility, Company is focusing on Donations, Development of communities and Scholarships.</p> <p>Provision of improved health and safety environment.</p>	<p>The Company donates generously to various social and charitable causes including health, education, welfare etc.</p> <p>The Company actively takes part in social initiatives and work towards safe workplace environment.</p> <p>It also provides funding to various hospitals and welfare organizations across Pakistan including District Head Quarter (DHQ) Skardu Hospital, Muhammadi Blood Bank, The Hunar Foundation, The Citizen Foundation KPK &amp; Punjab and etc.</p>

# SIGNIFICANT FACTORS AFFECTING EXTERNAL ENVIRONMENT AND THE COMPANY'S RESPONSE

External Factors	Description	Company's Response
<p>TECHNOLOGICAL</p> 	<p>Technical obsolescence of production facilities.</p> <p>Continuous development of Information Technology infrastructures and Management Information Systems (MIS) software.</p>	<p>Despite being sole manufacturer of Banknote and other Security papers in the country, the Company gives special emphasis on the adoption of latest technology to improve its operations.</p> <p>The Company continuously invests in the robust hardware and software for system up-gradation and MIS.</p> <p>The Company also ensures participation of its employees in various national / international exhibition &amp; training session, to acquaint them with the latest technology.</p>
<p>LEGAL</p> 	<p>Various laws and regulations applicable on the Company, i.e., statutory, corporate, legal, secretarial, taxation, import, environmental, health and safety laws and regulations.</p>	<p>The Company adheres with all the regulations and ensures that the governance mechanism prevents any event that can cause serious financial and / or reputational loss to the Company. We develop our policies according to laws. In addition to its professional team, the Company also hires the services of legal advisor / tax consultant in order to ensure compliance with all legal / regulatory requirements.</p> <p>The Company sets highest benchmarks for itself by participating in various awards, for e.g., PSX Top 25 Companies award, Management Association of Pakistan (MAP) award, Corporate Excellence Award and Best Corporate Report Award by ICAP &amp; ICMAP.</p>
<p>ENVIRONMENTAL</p> 	<p>Laws and regulations regarding environmental stability and sustainable development.</p> <p>Requirements regarding treatment of waste water, carbon emissions and energy conservation.</p>	<p>The Company adheres to all applicable laws and regulations and voluntarily takes initiatives to create long-term value for community and environment.</p> <p>The Company complies with Quality, Health, Safety, and Environmental standards. Further, tree plantation is being done in the factory premise for limiting the emission of harmful gases in the atmosphere.</p> <p>We manage our environmental performance through efficient use of natural resources. Water conservation remains at the core of our operational practices due to operation of its Effluent Water Recycling Plant &amp; RO water plant.</p> <p>Further, Company has Waste Heat Recovery System, which operates by transforming the Generators engine's heat and smoke into energy for its other processes.</p>

# COMPETITIVE LANDSCAPE AND MARKET POSITIONING

## NEW ENTRANTS LOW

- Status of specified industries by the Government.
- High Capital Expenditure requirement which also requires prior Government's approval.
- Company's major customer is the sole consumer of Banknote Paper Product.



## SUBSTITUTES PRODUCTS MEDIUM

- Continuous growth in Banknote circulation.
- Prior Government's approval required for alternate products.
- Clean note policies of the Central Bank.
- Slow growth in digital payment methods in the Country.
- Introduction of Polymer Substrate in Banknote internationally.



## BARGAINING POWER OF BUYERS HIGH

- Concentrated buyers/small customer base.



## BARGAINING POWER OF SUPPLIERS MEDIUM

- Limited suppliers for some specialized inputs.



## COMPETITIVE RIVARLY LOW

- Sole supplier of Banknote and other security papers in the Country.
- Government policies restrict easy entry to the Security Papers segment.



# Governance



- 66 Review Report to the Members on the Statement of Compliance Contained in Listed Companies (Code of Corporate Governance) Regulations, 2019
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- 91 Pandemic Recovery Plan
- 92 Our People





KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2, Beaumont Road  
Karachi 75530 Pakistan  
+92 (21) 35685847, Fax +92 (21) 35685095

### INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Security Papers Limited

#### Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **Security Papers Limited** ("the Company") for the year ended 30 June 2022 in accordance with the requirements of Regulation No. 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2022.

**Date: 03 October 2022**

**Karachi**

**UDIN: CR2022101061SPRdfNpV**

*KPMG Taseer Hadi & Co.*  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

# STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of Company: SECURITY PAPERS LIMITED

Year Ended: JUNE 30, 2022

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are ten as per the following:
  - a. Male: 08
  - b. Female: 02
2. The composition of the Board is as follows:

Category	Names
i) Independent Directors	Mr. Muhammad Sualeh Ahmad Faruqi
	Mrs. Uzma Aijaz
	Mr. Munir Ahmed
ii) Non-Executive Directors	Mr. Mohammad Aftab Manzoor
	Mr. Jamal Nasim
	Dr. Abolghassem Jamshidi
	Ms. Figen Caliskan
	Hafiz Mohammad Yousaf
	Mr. Shafqaat Ahmed
iii) Executive Director	Dr. Mohammad Ashraf Butt

Subsequent to the year end, Mr. Imran Qureshi has been appointed as new chief executive officer in lieu of Dr. Mohammad Ashraf Butt.

Explanations for not rounding up the fractional number under Regulation 6 (1) is as follows:

Regulation 6 (1) of the Listed Companies (Code of Corporate Governance) Regulations, 2019 stipulates that it is mandatory for each listed company to have at least two or one-third members of the Board, whichever is higher, as independent directors. In a Board comprising 10 members, one-third works out to 3.33. Since the fraction is below half (i.e., 0.5) the fraction contained in such one-third is not rounded up to one. The three elected independent directors have requisite competencies, skills, knowledge, and experience to discharge and execute their duties competently, as per applicable laws and regulations under which hereby fulfil the necessary requirements; not warrant the appointment of a fourth independent director.

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

# STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their dates of approval or updating is maintained by the Company.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ Shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman and in his absence by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of the meeting of the Board.
8. The Board has a formal policy and transparent procedures for the remuneration of Directors in accordance with the Act and these Regulations.
9. Directors have obtained the prescribed certification through director training programmes offered by institutions that meet the criteria and approved by the Commission. One of the Directors has met the exemption criteria set out in the Listed Companies (Code of Corporate Governance) Regulations, 2019. Seven Directors have already completed the Directors' Training Program. Whereas for remaining two directors training was planned during the second half of the financial year 2021-22, however, it could not be materialized due to their pre-occupation elsewhere.
10. The Board has approved the appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before the approval of the Board.
12. The Board has formed the following Committees that are required under the Code.  
The Committees comprise of members as given below:
  - a) **Audit Committee:**

Mrs. Uzma Aijaz	-	Chairperson
Mr. Jamal Nasim	-	Member
Dr. Abolghassem Jamshidi	-	Member
Hafiz Mohammad Yousaf	-	Member
Mr. Shafqaat Ahmed	-	Member
  - b) **HR and Remuneration Committee:**

Mrs. Uzma Aijaz	-	Chairperson
Mr. Mohammad Aftab Manzoor	-	Member
Mr. Jamal Nasim	-	Member
Mr. Munir Ahmed	-	Member
  - c) **Board Investment and Risk Management Committee:**

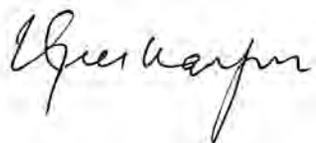
Mr. Muhammad Sualeh Ahmad Faruqui	-	Chairman
Ms. Figen Caliskan	-	Member
Hafiz Mohammad Yousaf	-	Member
Mr. Munir Ahmed	-	Member
  - d) **Nomination Committee** (No separate committee formed, as its issues are deliberated in Board meetings)

# STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.
14. The frequency of meetings of the committee were as per following:

a) Audit Committee	07 Meetings were held during FY 2021-22
b) HR and Remuneration Committee	05 Meetings were held during FY 2021-22
c) Board Investment and Risk Management Committee	04 Meetings were held during FY 2021-22

15. The Board has set up an effective internal audit function. The Head of Internal Audit is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan (ICAP) and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Company.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied.



MOHAMMAD AFTAB MANZOOR  
Chairman

Karachi

Dated: September 29, 2022

# REPORT OF THE BOARD AUDIT COMMITTEE

## Composition of the Audit Committee

Mrs. Uzma Aijaz	-	Chairperson
Mr. Jamal Nasim	-	Member
Dr. Abolghassem Jamshidi	-	Member
Hafiz Mohammad Yousaf	-	Member
Mr. Shafqaat Ahmed	-	Member

The Board Audit Committee of the Company comprises of four non-executive directors and one independent non-executive director who is the Chairperson of the committee. More than one member of the Board Audit Committee qualifies as financially literate. The Company secretary is the secretary of the Audit Committee. The head of Internal Audit attends audit committee meetings. The recommendations of the Audit Committee are submitted to the Board for its information and approval. The Audit Committee meets the external auditors at least once in a year without the presence of the CFO and Head of Internal Audit.

## Financial statements

The Board Audit Committee has concluded its annual review of the operational and financial performance of the Company for the year ended June 30, 2022 and reports that:

- The financial statements of SPL for the year ended June 30, 2022 have been prepared on a going concern basis as per the requirements of companies act 2017, IFRS and other regulations.
- Appropriate accounting policies have been consistently applied which have been disclosed in financial statements.
- The Company has issued a "Statement of Compliance with the Code of Corporate Governance" which has also been reviewed and certified by the auditors of the Company.
- The financial statements comply with the requirements of the Fourth schedule to the companies Act, 2017 and applicable international Accounting Standards and International Financial Reporting Standards notified by SECP.
- The auditors have issued unmodified audit report in respect of the above financial statements in line with the Auditors (Reporting Obligations) Regulations, 2018 issued by SECP.
- The Chief Executive Officer and the Chief Financial Officer have endorsed the financial statements of the Company while the directors report is signed by CEO and one director. They acknowledge their responsibility for true and fair presentation of the financial statements, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and systems of the Company.
- All the related parties' transactions have been reviewed by the Committee prior to the approval by the Board.
- Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company in accordance with the Companies Act, 2017.
- All trading and holdings of the Company's shares by directors and executives or their spouses were notified in writing to the Company Secretary along with the price, number of shares, form of share certificates and nature of transaction which were notified by the Company Secretary to the Board.

# REPORT OF THE BOARD AUDIT COMMITTEE

## Internal Audit Function

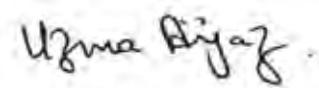
- The Head of Internal Auditor reports directly to the Chairperson of the Board Audit Committee.
- The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and control.
- The Board Audit Committee has ensured the achievement of operational, compliance and financial reporting objectives, safeguarding of the assets of the Company and the shareholder's wealth through effective financial, operational and compliance controls and risk management at all levels within the Company.
- Coordination between the external and internal auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

## External Auditors

- The statutory auditors of the Company, KPMG Taseer Hadi & Co, Chartered Accountants, have completed their audit of the Company's financial statements and the Statement of Compliance with the Code of Corporate Governance for the financial year ended June 30, 2022
- The management Letter is required to be submitted within forty-five (45) days of the date of the Auditors' Report on the financial statements under the listing regulations and shall therefore accordingly be discussed in the next Board Audit Committee meeting.
- The Audit firm has been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by ICAP. The auditors have indicated their willingness to continue as auditors.
- Being eligible for re-appointment as auditors of the Company, the Audit Committee has recommended the appointment of M/s. KPMG Taseer Hadi & Co. Chartered Accountants as external auditors of the Company for the year ending June 30, 2023.

## The Audit Committee

- The Audit Committee believes that it has carried out responsibilities to the full, in accordance with the Terms of Reference approved by the Board.



Mrs. Uzma Aijaz  
Chairperson Audit Committee

Dated: 28-09-2022

# CODE OF ETHICS AND BUSINESS PRACTICES

1. Maintaining integrity and scrupulous dealings.
2. Reporting violations.
3. Maintaining correct books and records of the Company.
4. Strictly observing the laws of the country.
5. Strictly avoiding questionable and improper payments or use of the Company's assets.
6. Strictly avoiding conflicts of interest.
7. Strictly avoiding political contributions.
8. Expediting payment of amounts due customers, agents or distributors.
9. Strictly avoiding giving and receiving of gifts.
10. Treating means to be as important as ends.

# CORPORATE GOVERNANCE

Good corporate governance has been an integral part of the Company's approach to business to ensure that its Board of directors meet regularly, retain control over the business and have clearly defined responsibilities. It also ensures a robust risk management system. The Board recognizes the increasing importance of Environmental, Social and Governance (ESG) issues. ESG considerations have long been an integral part of the Company's approach to business.

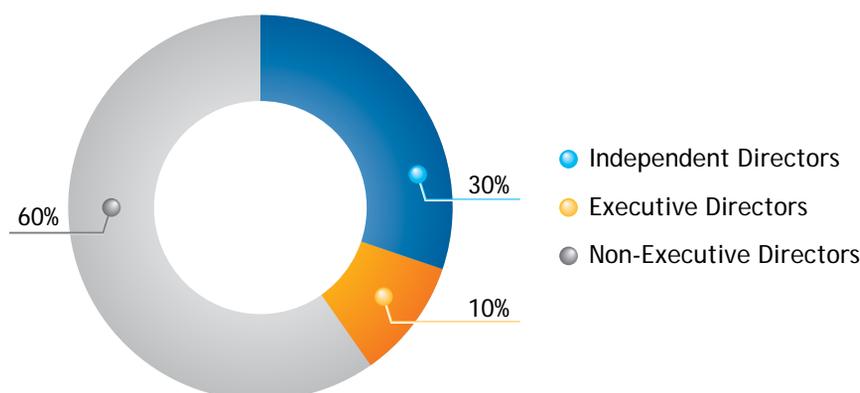
## Composition of the Board of Directors

The Board of Directors is responsible to protect the interests of the shareholders, oversight of the organization, and making decisions about important issues that the Company is facing. The Board is also responsible for the good governance of the Company and providing leadership to put the strategic aims of the organization into effect.

The Company's Board of Directors is composed of highly qualified professionals representing a variety of fields. The Board of Directors, effectively represents and protects the interests of all stakeholders. The Board consists of ten Directors, six non-executive directors, one executive director, and three independent directors. None of the Board members currently serves on the board of directors of more than seven public listed companies.

(i) Independent Directors	3	-	30%
(ii) Executive Director	1	-	10%
(iii) Non-Executive Directors	6	-	60%

## Composition of the board



## Profile of the Board

Profile of Board members including the name, status, education, experience and engagement with other companies have been provided as "Profile of the Board" in the Company Overview section of this report on page 24.

# CORPORATE GOVERNANCE

## Independent Directors

The board has three independent Directors who qualify the criteria of independence under the Companies Act, 2017. The independent directors can reasonably be perceived to exercise independent business judgment without being subservient to any form of conflict of interest. Additionally, as required by the Code of Corporate Governance 2019, independent directors have provided the Chairman of the Board with their declaration of independence in accordance with the criteria set out in the Companies Act 2017, the names of the Independent Directors are as follows:

Mr. Muhammad Sualeh Ahmed Faruqi

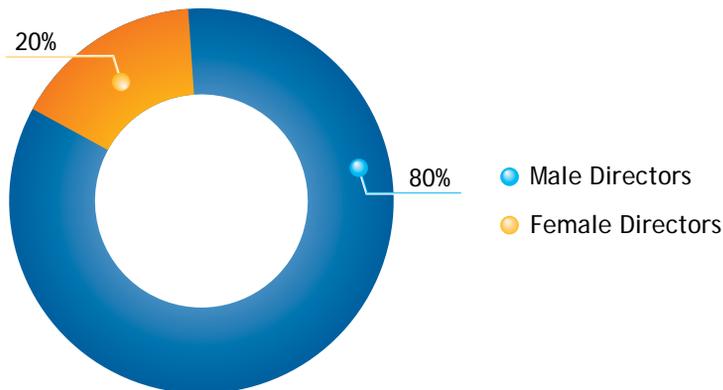
Mr. Munir Ahmed

Mrs. Uzma Aijaz

## Female Directors

The Code of Corporate Governance has mandated that listed companies should have at least one female director. This is a significant step towards gender diversity on corporate boards. SPL's Board of Directors includes two female directors, exceeding the legal requirement of one female director. Ms. Figen Caliskan was appointed to the Board of Directors of SPL by Sumer Holding A.S. Turkey on July 13, 2020. While Mrs. Uzma Aijaz was elected on September 1, 2020 in the Annual General Meeting of the Company.

## Gender Diversity



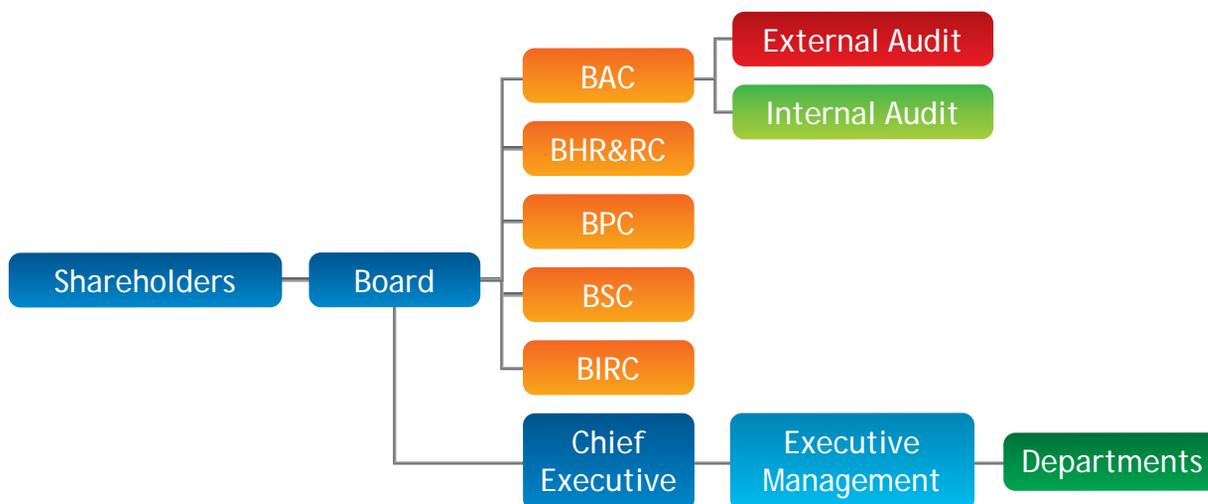
## Non-Executive Directors

All the Directors on the Board are non-executive directors except for the Chief Executive Officer of the Company.

## Board Committees

The Board has established following Committees to assist it in fulfilling its oversight responsibilities. The Board delegates some of its detailed work to the Board Committees. Each Committee meets regularly:

# CORPORATE GOVERNANCE



## Board Committees

- BAC - Board Audit Committee
- BHR&RC - Board Human Resource & Remuneration Committee
- BPC - Board Procurement Committee
- BSC - Board Strategic Committee
- BIRC - Board Investment & Risk Management Committee

The salient features of the Terms of Reference (TOR) of Board Human Resource and Remuneration Committee and Board Audit Committee are as follows:

## Board Human Resource and Remuneration Committee (HR&RC)

The purpose of Board Human Resource and Remuneration Committee (HR&RC) is to assist the Board to fulfil its oversight responsibilities for:

- Recommending human resource management policies to the Board
- Evaluate executive officer performance and review the Company's management succession plan
- Employee reward and performance management

The HR&RC consists of five members comprising a majority of Non-Executive Directors. The Chairperson of the Committee is an Independent Director. The Head of Corporate department acts as Secretary of the Committee.

# CORPORATE GOVERNANCE

## Responsibilities

In addition to any other responsibilities which may be assigned from time to time by the Board, the HRRC is responsible for the following matters:

- i. Provide guidance to the management in establishing the Company's compensation policies relevant to employees' remuneration, bonus and/or other benefits
- ii. Oversee management compliance with laws and regulations with respect to compensation and human resource matters
- iii. The HRRC shall in consultation with the CEO periodically review the Company's management succession planning and any development plan for the potential successors
- iv. Advise on hiring of senior management staff and senior management hierarchies
- v. Review of significant human resource policies of the Company

## Board Audit Committee (BAC)

The Audit Committee reports to the Board, the Committee is authorized by the Board to investigate any activity within its terms of reference. The BAC meets at least once every quarter of the financial year to be held along with meeting of Board of Directors. These meetings shall be held prior to the approval of interim results of the Company by its Board of Directors and before or after completion of external audit. A meeting of the Audit Committee shall also be held, if requested by the external auditors or the head of internal audit:

- The Audit Committee comprise of five members. The Chairperson of the Audit Committee is an Independent Director.
- The CFO, the Head of the Internal Audit and a representative of the external auditors shall attend meeting of the Audit Committee at which issues relating to Accounts and Audit are discussed.
- At least once a year, the Audit Committee shall meet the external auditors without the CFO and head of internal audit being present.
- The Audit Committee shall meet the head of internal audit and other members of the Internal audit function without the CFO and the external auditors being present.

# CORPORATE GOVERNANCE

## Responsibilities

The Board of Directors of the Company have determined the terms of reference of the Audit Committee. The Audit Committee is responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders and shall consider any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Company in addition to audit of its financial statements. In the absence of strong grounds to proceed otherwise, the Board of Directors shall act in accordance with the recommendations of the Audit Committee in all these matters.

## Other terms of reference of the Audit Committee are as follows:

- a) Determination of appropriate measures to safeguard the Company's assets.
- b) Review of preliminary announcements of results prior to publication.
- c) Review of quarterly, half yearly and annual financial statements.
- d) Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight.
- e) Review of management letter issued by external auditors and management's response thereto.
- f) Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company.
- g) Ascertaining that the Internal Control System including financial and operational controls, accounting system and reporting structure are adequate and effective.
- h) Review of Company's statement on Internal Control system prior to endorsement by the Board of Directors.
- i) Determination of compliance with relevant statutory requirements.
- j) Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof.

## Board of Directors' and Board's Committee Meetings

The details of number of Board and its Committees' meetings are as follows:

Board of Directors (BoD)	11
Board Audit Committee (BAC)	7
Board Human Resource & Remuneration Committee (BHR&RC)	5
Board Procurement Committee (BPC)	2
Board Investment and Risk Management Committee (BIRC)	4
Board Strategic Committee (BSC)	1
Board Special Committee for Memorandum & Articles of Association	2
Board Special Committee for Appointment of Chief Executive Officer	5

# CORPORATE GOVERNANCE

## Attendance of Board and Board's Committee Meetings

The attendance of Board and its Committee members is as follow:

S.No.	Name of Directors	BOARD	BAC	BHR&RC	BPC	BIRC	BSC
1	Mr. Mohammad Aftab Manzoor	11	-	4	2	2	1
2	Mr. Muhammad Sualeh Ahmad Faruqui	11	-	-	-	4	1
3	Mr. Jamal Nasim	11	7	5	2	-	1
4	Dr. Abolghassem Jamshidi	9	7	-	2	-	-
5	Ms. Figen Caliskan	11	-	-	-	4	1
6	Mrs. Uzma Aijaz	10	5	4	-	-	-
7	Hafiz Mohammad Yousaf	11	7	-	-	3	1
8	Mr. Shafqaat Ahmed	11	6	-	2	2	1
9	Mr. Munir Ahmed	11	-	5	-	4	-
10	Dr. Mohammad Ashraf Butt	11	-	5	2	4	1

The Directors who could not attend Board and Committee meetings and requested for leave were duly granted "leave of absence" from the meetings by the Board / Committee in accordance with the law.

## Board Meetings held outside Pakistan

During the Financial Year 2022, all the Board of Directors meetings were held in Pakistan.

## Chairman's Review on the Performance of the Board u/s 192 of the Companies Act, 2017

The Chairman's review of the Board's performance and effectiveness in achieving the Company's objectives has been covered in detail on page 36 of the Annual Report.

## Matters Reserved for Board

In accordance with the requirements of the Companies Act 2017, listed Companies (Code of Corporate Governance) 2019, and the company's Articles of Association the Board exercises all its powers after due deliberations. All matters that have a material impact upon the Company are referred to the Board including following matters reserved specifically for the decision of the Board.

# CORPORATE GOVERNANCE

- Approval of the Company's Financial Statements including Quarterly, Interim and Annual Accounts. Adoption of significant change in accounting policies.
- Matters recommended by the Board Committees and monitoring and review of governance practices
- Establishment of effective risk management framework of the Company
- Capital Expenditure and disposal of fixed assets. Ensuring a sound system of Internal Control, review of internal audit reports and changes relating to the capital structure of the Company
- Monitoring and review of the strategic direction of the Company. The CEO leads the development of the Company's short-term and long-term strategy.
- Recommending to shareholders the approval of alterations to the Memorandum and Articles of Association of the Company
- Approval and periodic review of the Annual Budget, cash flow projections and strategic business plan of the Company. Approval of the maximum total value of the Company's borrowing facilities.
- The Board is advised of all material litigation proposed by or commenced against the Company. Approving terms of reference for Board Committees.
- Recommendation to shareholders to appoint or remove the Company's auditors including approval of their fees. Appointment or removal of the Company's legal advisors.

## Board Performance Evaluation

The Company has developed a formal and effective mechanism for annual performance evaluation of the Board as a whole and its Committees. This activity is performed annually, whereas, the same is undertaken by an external independent evaluator at least every three years. The Board carried out performance evaluation of its own, its Committees in line with the Listed Companies (Code of Corporate Governance) Regulations, 2019. The overall rating of the Board is highly encouraging, particularly in respect to its composition, expertise, effective risk management, adequate system of internal controls and audit function.

## Performance Evaluation by External Consultant

In order to bring objectivity to the Board's annual performance evaluation process, the Company had engaged the services of Pakistan Institute of Corporate Governance (PICG) for carrying out performance evaluation of the Board and its Committees. The PICG carried out the performance evaluation of the Board and its Committees by adopting best practices coupled with regulatory requirements for the Financial Year 2020-21.

PICG had carried out performance evaluation of the Board and its Committees on a 5-point Likert scale. Based on responses received from the Directors, the overall performance of the Board as a whole and its Committees was 4.52 and 4.30 respectively.

## Directors' Orientation Program

The Company holds orientation program for its Directors to acquaint them with the Company's operations and provides them with orientation materials, including a visit to the factory, in order for them to gain a better understanding of the operations of the Company. At the time of induction of new directors, he / she is given orientation about the Company's governance framework, its business strategy and operations in order to enable them to effectively govern the affairs of the Company. The directors are also provided with the detailed written material on powers, duties and responsibilities of the Board members.

# CORPORATE GOVERNANCE

## Directors' Training Program

The Company strongly encourages its Directors to complete the Directors Training Program as per the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019. By June 30, 2022 Directors had acquired the prescribed certification through Directors' Training Program offered by institutions that meet the criteria specified by the Commission. One of the Directors has met the exemption criteria set out in the Listed Companies (Code of Corporate Governance) Regulations, 2019. Seven Directors have already successfully completed the Directors' Training Program. The remaining Directors are expected to participate in the Directors' Training Program specified in the Listed Companies (Code of Corporate Governance) Regulations, 2019.

## Directors' Remuneration

The Board has implemented directors' remuneration policy for remuneration of Board members in accordance with the applicable laws and regulations. The policy is intended to provide market competitive remuneration to the Board members. The following are the objectives of the directors' remuneration policy:

1. To attract and retain qualified and experienced Directors to drive the Company's strategy and attain its objectives.
2. To ensure the level of remuneration for Non-Executive Directors including Independent Directors is commensurate with the level of responsibilities and expertise to encourage value addition.

The remuneration of the Non-Executive Directors including independent Directors shall be determined by the Company in General Meeting as allowed by Section 170 of the Companies Act, 2017 and the provisions of the Articles of Association of the Company.

## Number of Companies directorship

As per the Listed Companies (Code of Corporate Governance) Regulations, 2019 and subject to the requirements of Section 155 of the Companies Act, 2017, it is mandatory that no person shall be elected or nominated or hold office as a director of a listed Company including as an alternate director of more than seven listed companies simultaneously. The Board members had informed that none of them is serving as a Director on more than seven listed companies, including this Company.

## Security Clearance of Foreign Directors

The Company obtains security clearance from Ministry of Interior in case of its foreign directors and in the manner prescribed.

## Exceeding Legal Requirements

SPL complies with provisions of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and other applicable laws and regulations. Some examples where the Company exceeds legal requirements are as follows:

- As part of the Company's Corporate Social Responsibility, supporting and partnering with communities to improve lives
- Adoption of Sustainability Reporting on a voluntary basis
- Disclosure of various financial analyses in the Annual Report, such as ratios, reviews, risk matrices, and graphs.

## External Oversight by an External Specialist

The Company is subject to a review of internal controls embedded in its Information Technology (IT) Systems by external specialist's i.e. the IT team of external auditors.

The controls relate integrated management including financial reporting, production, supply chain management and payroll processes.

The Scope of the above oversight includes review of Company's IT Governance and Entity Wide Controls, IT General & Application Controls, Business Continuity & Disaster Recovery, Physical and Environmental Security Assessment and IT Infrastructure Review

# CORPORATE GOVERNANCE

## The Legislative and Regulatory Environment in which the Company Operates

Security Papers Limited is a listed Company engaged in the manufacturing of specialized paper for banknote and non-banknote security paper. The Company has been classified as Category 1A (KPID) Key Point Installation by the Government of Pakistan. Being a listed Company, it operates in a tightly regulated environment. There are plenty of regulatory compliances that have to be satisfied. Being a Category 1 A installation, the Company is subject to the strict surveillance by the government authorities.

The Company is required to comply with a variety of laws on a regular basis including the Companies Act 2017, Sales Tax Act of 1990, Income Tax Ordinance 1990, various labour laws and laws relating to protection of environment. The Pakistan Stock Exchange Regulations and the listed Companies (Code of Corporate Governance) Regulations 2019. As a matter of policy, the Company is required to ensure complete compliance with all relevant laws to avert the risk of any liability arising from due to breach of any law.

## Compliances with Best Corporate Practices

Report of the Audit Committee on adherence to the Code of Corporate Governance, Statement of Compliance with the Code of Corporate Governance by the Chairman and the Chief Executive and Auditors Report thereon form part of this Report and are stated on page numbers 66, 67 & 70.

## Diversity

SPL is committed to empowering people by respecting and appreciating what makes them different, in terms of age, gender, ethnicity, religion, disability, sexual orientation, education, and treating employees fairly and equally by embracing diversity and other characteristics that contribute to our employees' unique cultural blend.

Our Human Capital strategy prohibits workplace discrimination and ensures that individuals are given equal opportunities based on their merit. SPL also pays close attention to the unique needs of all employees in terms of healthcare and ancillary benefits in order to promote optimal performance.

## Related Parties Policy

Under the Company's Related Party policy, all transactions with related parties that arise in the normal course of business are conducted on an unbiased, arm's length basis. All related party transactions are placed before the Board Audit Committee for review and recommendation to the Board of Directors for approval.

All related party transactions have been appropriately disclosed in Note 31 on page No. 181 of the Financial Statements, including the name, basis of the relationship, percentage holding, nature, and amount.

## Investors Grievance

Investor Grievance Policy has been developed in order to establish guidelines for effectively handling and resolving the grievances of investors and shareholders. The investors can submit a complaint using the Complaint Form available at the Company website. The purpose of this Policy is to safeguard and protect the interests of all investors and shareholders, as well as to ensure that their grievances are resolved as quickly and efficiently as possible. The Company has established an internal mechanism for providing investor services and handling grievances, as well as engaging the services of an independent Share Registrar. The Company has an official email address (comsec@security-papers.com) for general correspondence

# CORPORATE GOVERNANCE

## Policy for Record and Archive Management

The purpose of this Policy is to establish guidelines for departments to follow in order to facilitate effective record management practices. It provides guidance to SPL employees on the creation and use of Company records, and it establishes standards for classifying, managing, and storing office records, among other objects. The Company's commitment to administrative transparency and accountability is premised on the effectiveness of its recordkeeping program. With this Policy, the Company hopes to ensure that the company's business operations are adequately documented and managed in accordance with Best Corporate Practices.

## IT Governance Policy

IT policies and procedures are in place to regulate quality assurance, information security, data and system ownership, and responsibility segregation. The IT Steering Committee ensures that IT investments are evaluated, selected, and funded effectively in accordance with business needs. IT is involved in pertinent decision-making processes to ensure that business requirements are met on time. Management is focused on establishing a framework for IT governance by aligning IT strategy with business strategy in order to manage risk effectively and optimize resource utilization.

## Whistleblowing Policy

This Policy is intended to establish a mechanism through which employees can anonymously report illegal and unethical activities for pre-emptive remedial measures. The Whistleblowing Policy applies to all employees and encourages them to report any illegal or unethical activity that could endanger the interests of SPL or any stakeholder or external agency dealing with the Company. This Policy applies to all illegal and unethical activities, including but not limited to violations of SPL's related laws or policies, concealment of a violation of laws or policies, harm to health and safety, and any criminal offence.

## Human Resource Policies

Human resource activities at the Company are geared toward developing future talent. Every year, the succession and career planning systems are evaluated to ensure the capital of highly skilled and professionally competent business leaders is maintained. The Company has a well-structured succession planning system in place to ensure that the desired outcomes are achieved. The employee performance evaluation system is geared to achieve these objectives through (KRAs & KPIs). Performance objectives are aligned with the Organization's business objectives and are developed each year during our goal setting exercise.

## Rewards & Recognition Policy

The Rewards and Recognition Policy fosters a positive work environment by establishing a mechanism for instilling desired performance, encouraging constructive behaviour, advocating commitment, and demonstrating desired values, all while assisting in the achievement of our business objectives. This policy recognizes individual and team accomplishments through the Employee of the Quarter, Innovative Idea, and Service Recognition Awards, which are recommended and conferred by the Rewards and Recognition Committee.

## Sexual Harassment Policy

Each employee has the right to be treated fairly and respectfully at the workplace and to create a safe working environment for the employees, which is free of harassment, abuse and intimidation with a view towards the fulfilment of their right to work with dignity. The Policy is in compliance with "The Protection against Harassment of Women in the Workplace Act,

# CORPORATE GOVERNANCE

2010". A Committee has been constituted by the Board's Human Resources & Remuneration Committee for inquiring into the complaints of affected employees under this Policy.

## Succession Planning Policy.

Security Papers Limited is committed to developing a system of highly skilled and professionally competent business leaders. The Company has a well-structured Succession Planning Policy that enables it to accomplish its objectives. Critical positions or those with a high turnover rate are reviewed on a regular basis to ensure effective succession planning and the availability of the appropriate resources. Throughout the year, the Head of Human Resources met with the Heads of Departments to assess progress toward developing identified successors in their respective areas of responsibility.

## Employee Welfare Fund (EWF) Policy

The Employee Welfare Fund was established to address the acute financial needs of our permanent employees through grants/loans from the Fund. The purpose of this Policy is to facilitate and formalize the provision of refundable loans and non-refundable financial assistance to our permanent employees, staff, and officers up to the level of Deputy Manager.

## Conflict of Interest

The Board has established a process to review at every Board meeting and, if appropriate, authorize any conflict of interest. Every Director, who is in any way, whether directly or indirectly, concerned or interested in any contract or arrangement entered into, or to be entered into, by or on behalf of the Company shall disclose the nature of his concern or interest at a meeting of the Board. Interested Director not to participate or vote in proceedings of the Board.

## Corporate Social Responsibility (CSR)

The objective of this policy is to enable Security Papers Limited (SPL) to contribute meaningfully to the society, environment, and national causes by creating opportunities for employees to participate in socially responsible initiatives, allocating a budget approved by the Board, establishing an implementation & monitoring mechanism for CSR initiatives. SPL undertakes its activities in a manner that exhibits its responsibility towards the environment & society and complements its core business strategy and corporate values.

## Environmental Policy

Security Papers Limited is committed to ensure a safe and healthy workplace for its employees and minimizes any potential negative impact on the environment, either because of its products or because of its operations. The management is responsible for the safe operation of its manufacturing facilities in a manner that employees, neighboring communities, plant/equipment and the environment is not endangered.

## Communication and Disclosure Policy

The Communication and Disclosure Policy sets out the Company's policies and procedures in terms of its communication and disclosure, which are aimed at ensuring that the Company complies with the applicable laws and regulations. The goal of this Policy is to ensure that all shareholders and stakeholders have, simultaneously and without delay, sufficient, reliable, essential and consistent information about the Company and its operations as well as about matters affecting the value of the Company's financial strength. Information that may affect the value of the Company's financial reports are announced to the capital markets and other key stakeholders simultaneously without undue delay, while protecting the Company's commercially sensitive information.

# CORPORATE GOVERNANCE

## Beneficial Ownership

The Company complies with the requirements of the Companies Act, 2017 with regard to the disclosure of beneficial ownership. The details of Associated Companies, Undertakings and Related Parties is annexed (page 268).

## Compliance with the Best Corporate Practices

- The financial statements prepared by the Company's management fairly present the Company's state of affairs, results of operations, cash flows, and changes in equity;
- The Company's books of account have been maintained properly; and
- There are no material doubts about the Company's ability to continue as a going concern.
- Appropriate accounting policies have been applied consistently in the preparation of the financial statements, and accounting estimates have been made using reasonable and prudent judgement.
- The financial statements have been prepared in accordance with International Financial Reporting Standards, as applicable in Pakistan, and any deviations have been adequately disclosed.
- The internal control system is well-designed and has been implemented and monitored effectively.
- There has been no material deviation from the corporate governance best practices outlined in the Listing Regulations.

## Offices of the Chairman and Chief Executive Officer

Security Papers Limited strongly believes that the separation of the Chairman and Chief Executive Officer is a critical component of ensuring the independence of the board of directors and the avoidance of conflicts of interest. Furthermore, Security Papers Limited goes above and beyond the legally mandated requirement by having these positions held by separate individuals with clear separation of roles and responsibilities.

## Role and Responsibilities of Chairman

The Chairman is responsible to provide effective leadership and direction to the Board. he ensures a conducive environment that encourages directors to carry out Board's business in line with legal and regulatory requirements. He is also responsible for effective performance of the Board and sets high standards of governance. The Chairman ensures that the Board as a whole is thoroughly and constructively involved in establishing and determining the strategy and policies of the Company and that the decisions taken by the Board are in the best interests of the Company and represents the consensus of the Board. Promotes the highest standards of integrity, probity and corporate governance and establishes good corporate governance policies and practices. Ensures that the Chief Executive Officer and management successfully execute the plans and policies decided by the Board.

## Role and Responsibilities of Chief Executive Officer

The Chief Executive Officer (CEO) is an executive Director responsible for providing effective leadership to the management. He is responsible for making important corporate decisions within delegated limits, managing the overall operations and resources of the Company.

# CORPORATE GOVERNANCE

The CEO acts as a main point of the communication between the Board and the stakeholders. CEO leads the development of the Company's short-term and long-term strategy. Additionally, he is responsible for establishing and maintaining an efficient internal control system, financial reporting, planning, strategy budgeting and risk management.

## Date of authorization of financial statements

The date of authorization of financial statements is as follows:

First Quarter	October 28, 2021
Second Quarter	January 28, 2022
Third Quarter	April 21, 2022
Annual Accounts	September 29, 2022

### Presence of the Chairman of the Audit Committee at AGM

The Chairperson of the Board Audit Committee had ensured her presence at the Annual General Meeting of the Company held on September 30, 2021.

## Occupational Health and Safety Management System (ISO 45001:2018)

The Occupational Health and Safety Management System (OHSMS) has been designed to put in place a safe working environment for employees. ISO 45001 is expected to reduce workplace injuries and illnesses with increased emphasis on management commitment, participation and consultation of workers and risk control for reducing and eliminating unsafe and unhealthy work practices/conditions.

HSE & Sustainability trainings have also been earmarked into the training calendar for FY 2021-22. A series of Awareness sessions on OH&S, Environment and Sustainability such as COVID-19 Preventive measures, Firefighting, Managing Safely at workplace, Healthcare Policy Awareness, 5S, Chemical spill, Materiality Assessment & Stakeholder Engagement, were also conducted. Besides that, technical trainings on behavioural safety and job hazard analysis, permit to work, sessions etc. were also conducted both by internal and external reputable trainers/facilitators.

## The Environment Management System (ISO 14001: 2015)

ISO 14000 is a family of standards related to environmental management that exists to help organizations minimize how their operations negatively affect the environment; comply with applicable laws, regulations, and other environmentally oriented requirements; and continually improve in the above. We have implemented environmental programs in a comprehensive, systematic, planned and documented manner. The company is also concerned regarding reduction of waste and efficient use of natural resources (electricity, water, gas, fuels etc.), and keen to follow global best practices to protect the environment. During the year, business process re-engineering efforts resulted in control of process losses and improvement in quality of our products.

The Company has invested on developing its infrastructure in water resources for reduction in liquid effluent due to efficient use of water resources. A state-of-the-art Waste Water Treatment Plant is now in operation that is capable of recycling up to one third of all our effluent water thereby improving sustainability of the Company.

# CORPORATE GOVERNANCE

## Quality Management System (ISO 9001:2015)

The ISO 9000 family of quality management systems (QMS) is a set of standards that helps organizations ensure they meet customer and other stakeholder needs within statutory and regulatory requirements related to a product or service.

Maintaining ISO certification is a proof of the sustainability of achievement accomplished for the quality services provided to our customers as well as adopting of best international practices and procedures with respect to the Quality Management Systems.

Customers' Feedback is obtained from all key customers on bi-annual basis and corrective and preventive actions are taken accordingly. Customers complaints are processed through Standard Operating Procedures-SOPs.

## CONTINUAL IMPROVEMENT INITIATIVES

### KAIZEN Projects Implementation

Kaizen culture had been promoted throughout the organization to foster a conducive work environment and to drive results from synergistic team building process that ensures equal representation from employees at all levels. The associated benefits with the implementation of KAIZEN culture include less waste, satisfied employees, employee commitment, and retention ultimately leading towards improved competitiveness and enhanced customer satisfaction.

A number of KAIZEN projects have been successfully implemented in the organization. The performance of each individual against the accomplishment of KAIZEN Projects has been linked with Annual Performance Appraisal System during the FY 2021-22.

### 5S System Implementation Program

Implementation of all five phases of 5S include Sorting, Setting, Shining, Standardizing, and Sustaining in the workplace in true letter and spirit was done throughout the factory premises. Key benefits include increased productivity, improved safety, reduction in waste, and workforce commitment. For effective 5S implementation, the whole factory was divided into 19 blocks. An independent Implementation Audit Committee conducted a comprehensive 5S Audit of each of the 19 blocks and assigned score while also identifying areas for improvement. For the very first time in the history of SPL, the 5S performance of each individual Officer was linked with the Annual Performance Appraisal System.

### Innovative Ideas Scheme

The successful exploitation of new ideas is crucial to a business being able to improve its processes, it brings new and improved products and services to market, increase its efficiency and most importantly, improve its profitability. This Scheme is an effective mechanism for creating an environment for our employees to contribute their ideas for better progress, recognizing and rewarding those employees whose ideas got selected and implemented.

# CORPORATE GOVERNANCE

## Employee of the Quarter

The Employee of the Quarter Award has been initiated to appreciate employees responsible in fostering the health and safety culture at the workplace. The goal is to appreciate and motivate employees to continue their good performance and loyalty to the Company. Successful employee recognition helps the Organization to retain the key employees and keep employees satisfied along the way.

## Business Continuity Plan (BCP)

The Board had reviewed the Business Continuity Plan (BCP) that was had been recommended by the Board Risk and Investment Management Committee and, after review and deliberations, the Committee. The Board noted that business continuity plan outlines how the Company will continue operating during an unplanned disruption. BCP provided detailed strategies on how business operations would be maintained for both short-term and long-term outages. BCP demonstrates that the organization was being run well from top to bottom. Business Continuity was a proactive plan to avoid and mitigate risks associated with a disruption of operations. It details steps to be taken before, during and after an event to maintain the financial viability of an organization. The Manual also addresses disaster recovery which is a reactive plan for responding after an event.



The Board after thorough review and deliberations had approved the Business Continuity Manual. The Board also appreciated the efforts of the management in developing a comprehensive Business Continuity Plan and commented that BCP would go a long way in protecting the interests of the Company.

## Disclosure on use of ERP

The Board places lot of emphasis on Company's use of Enterprise Resource Planning (ERP). The Company has implemented state of the art integrated Enterprise Resource Planning. SPL's ERP comprise of 25 plus integrated applications modules covering complete life cycle of key business processes. Agile development methodology is being used for fast paced development and delivery of required integrated solutions.

## Management Support in effective implementation of ERP

The management remains engaged in planning, execution, timely delivery and continual improvement of digitalization projects. An active IT Steering Committee of Executive Management looks after IT Projects and provides full support for implementation to get the desired business benefits. Management allocates adequate budget for new technologies, recurring annual subscription of existing hardware / software and continual improvement of Information Systems.

# CORPORATE GOVERNANCE

## User Trainings of ERP Applications

End user trainings are integral part of ERP applications deployment process. It is mandatory obligation of IT department to arrange multiple sessions to kick-off the implementation of newly deployed ERP application. On demand training sessions are also arranged by IT Department upon departmental request.

## Risk Management of ERP Project

Enterprise resource planning is designed to ensure integration of processes across functional areas with improved workflow. Risk Management process is reviewed by Enterprise Risk Management Committee to identify and analyze potential risks. The Committee assigns priority to risks with the objective to mitigate and monitor risks. Secure System Engineering and Program Development / Change Management Policies are available to cater the Technical / Functional design, Program Deployment / Change Management risk of ERP applications.

## System Security, Access Management and Segregation of Duties

The Company maintains System security, access management and segregation of duties at all level during life cycle of Information Systems. Information security and access management policies are in place to manage the applications, database, network security and access management of ERP Applications. IT department ensures to maintain segregation of duties at ERP applications level, as well as within the IT department to ensure resilient IT services.

## Evaluation and Enforcement of Legal and Regulatory Implications of Cyber Risks

The prime focus of SPL's IT department is to evaluate Information Systems and Cybersecurity risk in compliance of all applicable legal and regulatory requirements. Board's Risk Management Committee carries out review of effectiveness of Risk Management policies and procedures. Additionally, an Enterprise Risk Management Committee also oversees the Cybersecurity risk and all applicable legal and regulatory compliances.

## Information Technology (IT) Governance and Cybersecurity

### Statement on evaluation & enforcement of legal and regulatory implications of Cyber Risks

The Board had undertaken review of all risks including cyber risks and legal and regulatory implications in case of any breaches considering cybersecurity as a strategic business risk. The Board had also evaluated financial exposure to cyber risks and which risks to accept, mitigate or transfer. The Board noted that the Company had taken appropriate measures to safeguard its network security and implemented efficient controls to ensure data security.

## Information Technology governance and cybersecurity programs

The Company is in a process of implementing ISO 27001. IT governance system comprising Information security policies, procedures and control framework ensures not only compliance with legal and regulatory requirements, but is also meant to improve the strategic alignment between IT & business and to optimize value creation by IT investments.

# CORPORATE GOVERNANCE

## Cybersecurity and Board's Risk Oversight

Cybersecurity threats have become a cause of concern globally owing to high-profile data breaches in recent years leading to many corporate crises. Cybersecurity and cyber risks have become a corporate governance issue for boards. The management of the Company has approved Cybersecurity Charter to enhance the Cybersecurity posture of the Company. To improve Cybersecurity outlook, various Information Security policies & procedures have been developed and implemented.

The management regularly apprises the Board on overall performance / evaluation of Information Security in the Company. IT ensures to keep the risk registers updated keeping in view growing concerns of cybersecurity. These risks are reviewed by Enterprise Risk Management Committee and subsequently Board's Risk Management Committee on periodic basis.

## Board Committee Oversight on IT Governance and Cybersecurity Matters

The Board Audit Committee while reviewing enterprise risk management framework also reviews and evaluates Cybersecurity risks. The Board views cybersecurity as an enterprise risk. The Board Audit Committee follows a structured approach and the expertise of its members allows the Board to rely on the Committee's recommendations and decisions.

The costs of a cyber-attack can be significant. In order to protect finances, liability, reputation, and future growth, the Board ensures that the Company has appropriate processes in place to manage cyber risks such as identifying the organization's digital assets comprising computers, networks, systems, data and other digital assets that could become targets for cybercriminals. The Board also encourages to follow best practices for managing cyber risks.

## Controls and Procedure about Early Warning System

IT has developed early warning system to prevent and timely inform the management and the Board about any security breach of Information Systems. Security information and event management system have integrated application program interface to trigger an automated SMS /email alerts to relevant team.

IT follows National Institute of Standard and Technology (NIST) Cybersecurity framework to identify, protect, detect, respond and recover in case of information security incident. Moreover, incident management policy is in place to manage the vulnerabilities.

## Independent Comprehensive Security Assessment

The Company ensures implementation of best IT services to cater growing business needs. In addition to reviews by the internal auditors, periodic third-party independent reviews of information systems and vulnerability assessments are arranged by engaging tier-one Chartered Accountants firms to ensure that controls and procedures are in place to address cyber security risks. A comprehensive independent review of information systems and vulnerability assessment was also conducted during the year under review.

## Disaster Recovery Plan

A comprehensive Disaster Recovery Plan (DRP) is in place to cater any business contingency, DRP is an integral part of Business Continuity Plan. Roles and responsibilities are clearly defined to cater any availability issues of Information Systems due to any incident / cybersecurity breach. Business impact analysis, preventive actions, reactive strategy, recovery teams, action plans, level of incident and subsequent recovery time objectives are key elements of DRP. IT department conducts periodic mock exercises to check the preparedness against any unplanned or emergency situation.

# CORPORATE GOVERNANCE

## Advancement in Digital Transformation to Improve Transparency, Reporting and Governance

The Company places focus on digital transformation to embed modern technologies across the business to drive change and to increase efficiency, greater business agility and unlocking of new value for employees, customers and shareholders.

IT has performed server virtualization to minimize costs by increasing the utilization of existing resources. This cuts down on the number of physical servers needed, minimizes management costs for those servers.

IT has also developed an Artificial Intelligence (AI) based Environment Management System for IT Data Center to mitigate any heating issue and malfunctioning of Server Machines. IRIS based alternate attendance system is in place to cater any down time of Access Control System of SPL.

## Training and Awareness

IT in coordination with Human Resource & Administration arranges formal training and awareness sessions for end users on regular basis. Further, security awareness emails are sent regularly to everyone. It helps users in identifying any upcoming security threats and potential risks. The management arranged skills upgradation training program of IT team to cater any cybersecurity risk on regular basis. Additionally, in compliance of Information Security Management System to educate and create awareness about Cybersecurity.

# PANDEMIC RECOVERY PLAN

## Policy Statement

Safety of employees and their families is the top most priority of the Company. This was ensured by implementing relevant SOPs issued by the Government from time to time. The Company ensured provision of safe and secure workplaces by making available necessary Personal Protection Equipments, Hand Sanitizers and all other essential inputs needed to safeguard the health of its workforce and other stakeholders including visitors to continue smooth operations.

## Preventive Measures

Despite Covid-19 pandemic intensity has reduced, the close monitoring of potential risks is well in place. The Safety Controls and effective measures undertaken by the Company for prevention of COVID-19 Pandemic within its premises is in compliance with the SOPs issued by Government.

- All necessary measures were taken for procurement of masks, liquid soap, hand sanitizers and disinfectant sprays availability and its distribution throughout the Covid-19 Pandemic and are still in place.
- Covid-19 Preventive Measures and Risk Assessment and Control were incorporated in routine Tool Box Talks before commencement of work activities at the start of every shift and still it is being practiced.
- Frequency of Good Manufacturing Practices (GMP) Rounds were increased to monitor the situation on ground at regular intervals by the IMS team.
- A series of COVID-19 awareness sessions were held by our Medical Consultant with focus on taking necessary preventive measures and maintaining a balanced diet and adopting a healthy lifestyle for our workforce.
- Management has reinforced the practice of maintaining social distancing & preventing gatherings and discourages physical interactions like handshakes etc.
- Virtual meetings were conducted at the office to ensure minimum physical interaction among employees and other stakeholders and still we try to get the job done in this manner.
- All office rooms, meeting rooms, corridors, surfaces and factory areas are still being regularly disinfected. Due to effective Safety Measures, not a single Covid-19 positive case reported during the FY 2021-22



# OUR PEOPLE

Security Papers Limited greatly values its human capital and considers it as a fundamental resource to gain success. The Company believes that its core strength is its people, who strive every day to meet individual challenges and help the Company achieve its collective targets.

We are committed to :

- Provide a better, safe and healthy working environment to protect human rights and increase the satisfaction and commitment of our people;
- Motivate them by providing long-term benefits and an open door policy so employees feel comfortable approaching management with work-related problems. The Company fully complies with applicable labour laws;
- Remain focus on areas including employee relations, training, equal opportunity, employees' welfare and health & safety of our workforce;
- Recognize employees' efforts through Innovative ideas, employee awards and implementation of Kaizen project;

The Company makes every reasonable effort to remain competitive through its continuous learning environment to nurture the growth of its people.

# Strategy and Resource Allocation



- 94 Strategic Planning Process
- 96 Key Performance Indicators
- 97 Overall Strategic Objectives
- 98 Key Strategic Goals
- 99 Resource Allocation Plans



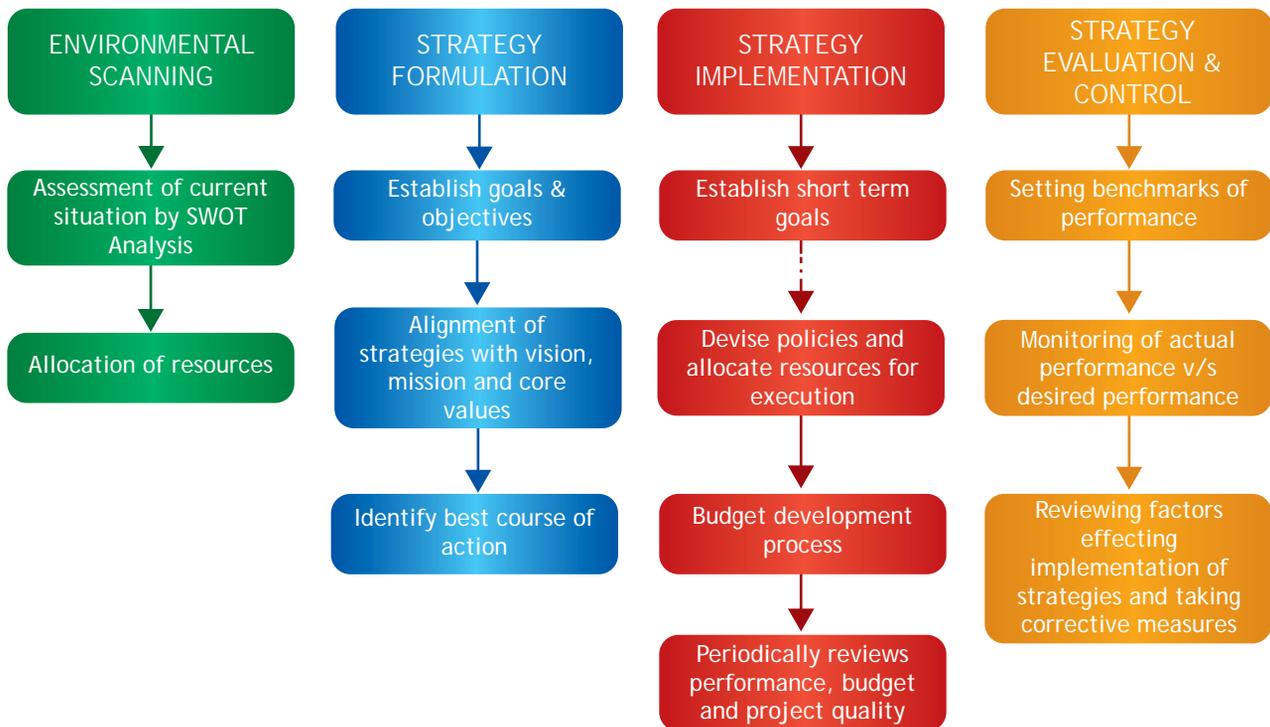
# STRATEGIC PLANNING PROCESS

The Company undertakes strategic planning to establish its direction, set priorities and ensure that employees and other stakeholders are working towards common goals and adjust the Company's direction in response to a changing environment. The process of strategic management integrates budgeting with strategic planning.

## Company's strategic management process:

All below steps in strategic planning occur in three hierarchical levels; the corporate, middle and operational levels. The strategy is translated into action by setting strategic objectives and operational objectives. The achievement of both strategic and operational objectives is regularly monitored and evaluated via Key Performance Indicators (KPIs).

The Company's strategic planning process consists of the following four phases:



# STRATEGIC PLANNING PROCESS

## Factors affecting Company's strategy and resource allocation plan

### Technological changes

The Company has strategically taken several initiatives for technological advancement of its various processes so as to bring efficiencies and avoid redundancies. The strategic approach would be amended with any possible change in technology in order to cope with the technological changes.

The Company strives to influence technological advancements taking place to gain benefits in terms of efficiencies and lower costs.

### Environmental changes

Our environment faces several problems and the issues which arise because of environmental challenges pose various threats to our planet. It is therefore increasingly important to raise awareness of the existence of these issues, as well as taking practical steps to reduce their negative impact.

However, by implementation of more sustainable strategy we can ensure the safety of the environment and more effective use of natural resources. As part of Company's commitment for environment protection, the Company has undertaken various project such as Effluent water recycling plant, Solar energy project and Heat Recovery System.

### Societal changes

Societal issues such as health, poverty, and educational system affects the pattern of customer and supplier behavior and thus have an impact on the businesses globally.

The Company has adequate health, safety and environment related policies and procedures; for the society at large, Company takes part in various corporate social responsibilities (CSR) activities, capacity building programs, external & internal training programs, scholarships, health center and other safety related initiatives for its employees.

# STRATEGIC PLANNING PROCESS



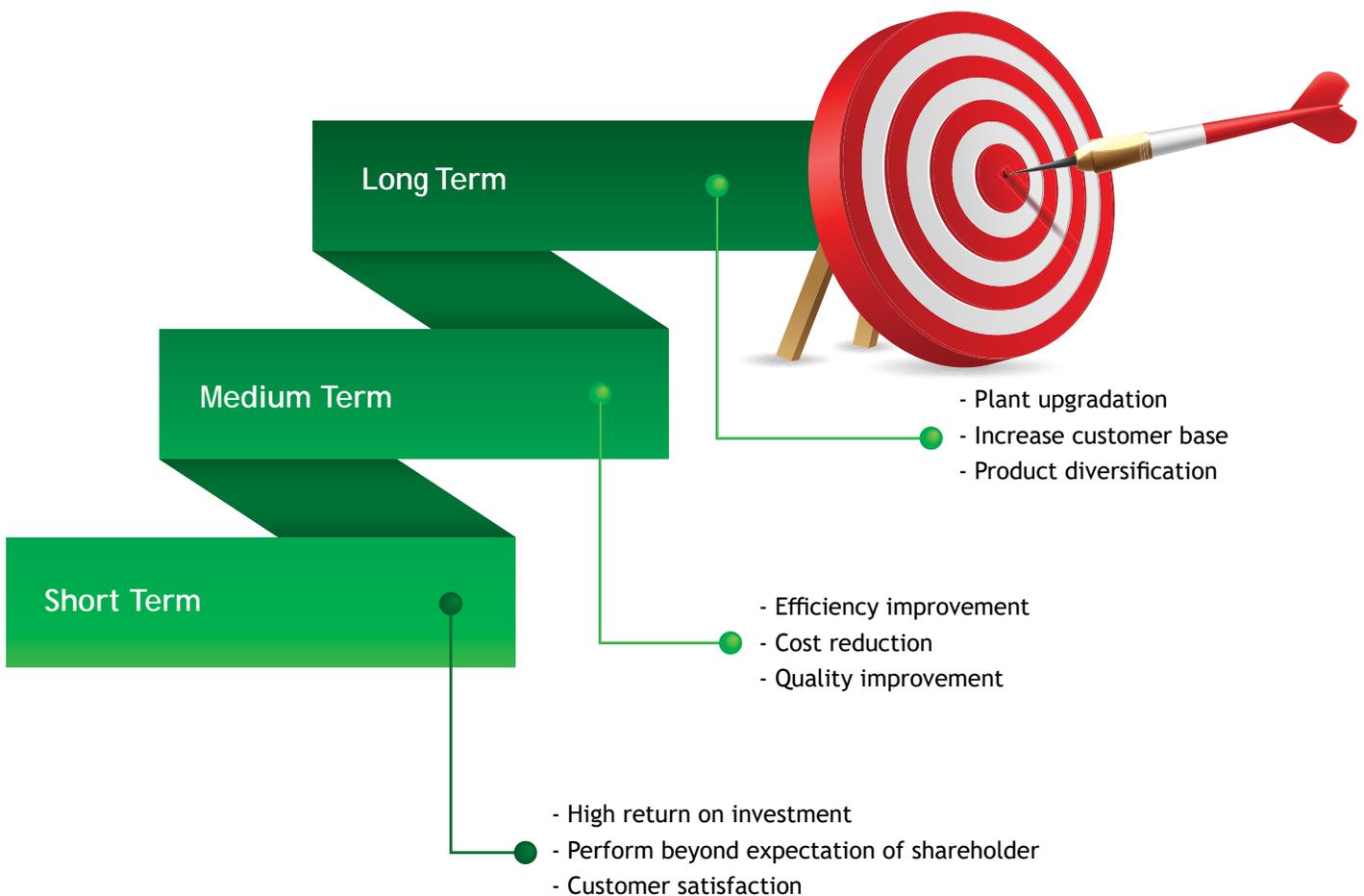
## KEY PERFORMANCE INDICATORS

OPERATIONAL KPIs	FINANCIAL KPIs	SALES KPIs	HR & ADMINISTRATION KPIs
<ul style="list-style-type: none"> <li>• Order fulfilment time</li> <li>• Reduction in production losses</li> <li>• Waste recycling</li> <li>• Control of cost of production</li> </ul>	<ul style="list-style-type: none"> <li>• Fair &amp; Speedy Financial Reporting</li> <li>• Increase Inventory Turnover</li> <li>• Operational cash flow management</li> <li>• Higher Gross / Net profit margin</li> <li>• Higher Return on investment of surplus funds of Company</li> <li>• Corporate Tax Management</li> </ul>	<ul style="list-style-type: none"> <li>• Net sales value</li> <li>• Sales volume</li> </ul>	<ul style="list-style-type: none"> <li>• Cost control</li> <li>• Succession planning</li> <li>• Employee satisfaction and retention</li> <li>• CSR awareness</li> <li>• Clean environment and safety for smooth operations</li> </ul>

# OVERALL STRATEGIC OBJECTIVES

The ultimate objective of the Company is to be a leader in the country's security paper products sector, improving our operations continuously, enhancing profitability and creating value addition to the shareholders. We strive to supply the best quality security paper products, with zero defects whilst comprehensively meeting our customers' needs. We aim to provide safe working conditions, appropriately evaluating and training our workforce and rewarding our people for delivering results and working responsibly. We create value for our stakeholders by capitalizing upon the competitive advantages of our assets.

The Company is determined to follow its key strategic objectives which are assessed using various parameters laid down by the Company. These parameters are regularly monitored by the Company.



# KEY STRATEGIC GOALS

Goals & Strategy in place	Key Indicators
<b>Customer satisfaction</b> Dedicated to provide highest level of satisfaction to our customers via high quality products.	<ul style="list-style-type: none"> <li>• Quality assurance and quality audits.</li> <li>• International certifications to meet quality standards.</li> <li>• Timely delivery</li> <li>• Customer feedback</li> </ul>
<b>Employees</b> Employees Empowerment	<ul style="list-style-type: none"> <li>• Encourage ideas from bottom to top level.</li> <li>• Succession planning.</li> <li>• Job rotation and career development.</li> <li>• Training and education programs for employees.</li> <li>• Employee's turnover ratio.</li> </ul>
<b>Risk Management</b> Enterprise Risk Management and Business Continuity Planning	<ul style="list-style-type: none"> <li>• Number of high risks areas identified</li> <li>• Residual rating of risks</li> <li>• Maximum probable loss of risks identified</li> </ul>
<b>Continuous improvement</b> <ul style="list-style-type: none"> <li>• KAIZEN</li> <li>• 5S Methodology</li> <li>• Preventive and predictive maintenance</li> </ul>	<ul style="list-style-type: none"> <li>• Cost reduction</li> <li>• Increase in profit</li> <li>• Time savings</li> <li>• Safety</li> </ul>
<b>Operational Efficiency</b> Improved efficiency and reduction in raw material / energy consumption and costs by optimally utilizing all available resources.	<ul style="list-style-type: none"> <li>• Order fulfilment time</li> <li>• Reduction of production losses</li> <li>• Waste recycling</li> <li>• Control of cost of production / cost per unit of production</li> <li>• Profit margins</li> </ul>
<b>Shareholders</b> Safeguarding of shareholders' interest through a healthy and viable business	<ul style="list-style-type: none"> <li>• Earnings per share.</li> <li>• Market price per share.</li> <li>• Dividend per share</li> </ul>
<b>Corporate Social Responsibility</b> Promoting social development of the communities and extending financial and in-kind support for the welfare and development across the country.	<ul style="list-style-type: none"> <li>• Board's approved CSR Policy</li> <li>• Number of participants in community outreach initiatives, health, education, and welfare etc.</li> <li>• Initiatives that foster diversity and inclusion</li> <li>• Total Company-wide cash and in-kind contributions</li> </ul>

## Significant Plans and Decisions

*Security Papers Ltd. is continuously expanding its business. The Company is planning to study the enhancement of its production and storage capacity in order to cater the rising demand of its customer. The work related to expansion of raw material storage is expected to be completed during FY 2022-2023.*

## Significant Change in Objectives and Strategies

*There were no significant changes in objectives and strategies from prior years. The existing objectives and strategies have been re-arranged for the purposes of better reporting. Further, all of the above KPIs will continue to be relevant in future.*

# RESOURCE ALLOCATION PLANS

## Financial capital

The Company has Rs 6,545 million as reserves as at June 30, 2022 depicting a positive and healthy financial status. The Company currently has a debt-free capital structure. However, the Company maintains a cordial relationship with some reputable banks and financial institutions of the country. The Company has access to adequate unutilized financing facilities for both long-term and short-term. The short-term financing facilities are obtained to finance working capital requirements on need basis.



## Human capital

The Company highly values its human capital and considers it an integral resource for the success of the Company. The Company has a proactive HR Department which gives key consideration to Human Resource Management. The Company focuses on employee empowerment and career development via various internal and external (technical and non-technical) trainings and development programs, healthy and safe workplace environment, talent management and talent retention, market commensurate compensation packages. Our Core Values, Code of Conduct and HR Policies provide an outline which serves as a guiding force for the whole organization.



## Manufactured capital

As the sole producer of security paper products of the country, the production facilities are located in Karachi with the state-of-the-art production plant. The Company has Rs 1,785 million of fixed assets as at June 30, 2022, constituting 20% of total assets of the Company. Total inventory of Rs 561 million was reported.



## Natural capital

The Company recognizes the importance of efficient use of limited natural resources including water and energy. The project of waste water recycling plant recycles processed wastewater for its reuse at the plant. This has enhanced the water resource capability of the Company by 150,000 Gallons Per Day (GPD). The Company prides itself on manufacturing products that are “Environmentally Friendly”. The Company is certified for the latest standard of Environmental Management System (EMS) 14001:2015. Several measures have been taken to control pollution and to maintain a clean, green and healthy environment which includes prevention of process gas emission into the atmosphere and continuous efforts to improve greenery and maintain a clean environment in and around the factory through horticulture, better housekeeping, etc.



## Intellectual capital

The Company recognizes the importance of technology advancement and re-engineering of processes to achieve efficiencies in operations. The Company invests in the development of intellectual capital, market research, management information systems, and improvement in the governance structure within the Company. Customer satisfaction and quality of product is our primary objective.



## Social & relationship capital

The Company invests in a series of initiatives that enhance interaction with our stakeholders. Examples of these initiatives include the publication of the quarterly Newsletter, Corporate Briefing Sessions, etc. Moreover, every year the Annual General Meeting of the shareholders is held in accordance with the requirements of the Companies Act, 2017, which is attended by the Board, CEO, Corporate Secretary, CFO and the senior management of the Company. The interactive session with the shareholders allows the shareholders to ask questions on financial, economic, social and other issues and also give suggestions and recommendations. The CEO and Chairman of the Board of Directors respond to all questions. Further, the Company also contributes to the society/community through a broad range of CSR initiatives including towards health, education, and social sectors. A sizeable budget is allocated for such initiatives.





**RISK ?**

# Risk Management



- 102 Risk Management Framework
- 105 Enterprise Risk Management Process at the Company
- 106 Risk & Mitigation Strategy



# RISK MANAGEMENT FRAMEWORK

The Company follows an “Enterprise Risk Management Framework” within the Organization as it helps in integrating risk management practices across all the functions in the Company. The risk management not only plays a role in reducing losses but also leads to enhancement of value and resilience by recognizing and managing Company-wide risks associated with Company’s strategic and operational performance.

The key objective of the risk management system is to support business success and protect the Company as a going concern through an opportunity-focused but risk-aware decision-making framework. In addition, the risk management framework also enables us to improve effectiveness and efficiency in our operations and it promotes reliable financial reporting, and compliance with laws and regulations.

The Board of Directors provides the strategic direction for effective risk management and ensures that a robust risk management framework remains in place. The Board in this task is supported by the Board Investment and Risk Management Committee (BIRC) to oversee and review the risk management function of the Company.

The Company has a risk management policy, approved by the Board, which supports strategic and business objectives, and ensures the continuity of operations in all circumstances. Our Risk Management Policy outlines the objectives, processes, tools, types of risk, risk management process, and key responsibilities within our Company.

A corporate risk register is prepared, identifying key enterprise-level inherent risks from the Company’s risk universe which are then assessed at both the inherent and residual level to determine the strength of existing controls and mitigation measures. The Company’s Board of Directors is provided, at least once a year, with a separate inventory of the risks and uncertainties that the Board of Directors uses to define risk management measures. The Company presents the key risks identified in the context of the financial statements.

## Risk Management Organization at the Company

Our risk management and internal control activities are organized through the three lines of defense model; the Board is ultimately responsible for risk management and compliance in line with the risk appetite of the Company and is supported by:

### First line of defense | Risk Owners | Heads of Department/ Management Team

In accordance with the risk management policy approved by the Board of Directors, risk preparedness and identification are continuous and systematic activities, and are the responsibility of the management team. The management is responsible for the identification, assessment, treatment and reporting of risks in its respective department. Each department maintains and updates risk register which includes the major risks, risk owner, gross risk rating, existing control in place, residual risk, and further actions required / future mitigation strategy. The Company’s risk management approach emphasizes management accountability and oversight. Identified risks are analyzed, discussed, and responsibility is assigned to the Senior Management Team member most suited to manage the risk. Assigned risk owners are required to continually monitor risk, implement and maintain mitigating actions and evaluate and report on risks for which they bear responsibility. If the consequence of a risk exceeds the agreed risk tolerance, Management is required to assess if implementation of additional mitigation controls is necessary until the desired risk level is achieved. As part of the Enterprise Risk Management process, risks are reviewed and challenged by the Enterprise Risk Management Committee (ERMC) and BIRC.

# RISK MANAGEMENT FRAMEWORK

## Key roles of risk owners include:

- Identify and evaluate risks;
- Design and operate internal controls and other mitigation measures;
- Application of delegated authorities, policies, procedures and codes of practice;
- Report risks through relevant reporting and escalation processes;

## Second line of defense | ERM

Oversight functions support business and operations management and help ensure that the risk and control procedures are operating as intended. This function is performed by the ERM which governs, operates and develops the Company's risk management system and is the owner of the centrally managed risk on behalf of BIRC. The ERM is comprised of Senior Management Representatives from Corporate secretary, Internal Audit, Production, and Finance department. It ensures that all relevant risks are adequately addressed with risk mitigation measures, and also discusses and evaluates the risk areas and the mitigation status on periodic basis.

## Key functions of ERM

- To support the Board and BIRC in terms of risk governance and oversight;
- To review the risk assessments carried out by the departments;
- To review efficiency and effectiveness of mitigation and coverage of risk exposures;

## Third line of defense | Internal Audit

The Internal Audit department is responsible for monitoring the effectiveness of the risk management system. Working independently, the Internal Audit department provides objective assurance to the Board and BIRC regarding the adequacy and effectiveness of the Company's risk management system on periodic basis. In addition, the Internal Audit department includes an assessment of the effectiveness of risk management processes and compliance with the Board's Risk Management Policy as part of its regular auditing activities each year.

In the course of their statutory audit, external auditors review material internal controls to the extent of the scope laid out in their audit plans. Any material non-compliance and internal control weaknesses, together with their recommendation to address them, are reported to the Board Audit Committee (BAC). Our Management, with the assistance of IA, follows up on the auditors' recommendations as part of their role in reviewing our system of internal controls.

## Oversight is provided by External Auditors and Regulators

Role of BIRC: The BIRC has an overall responsibility for establishing an effective risk management system that ensures comprehensive and consistent management of all material risks. This function involves the following:

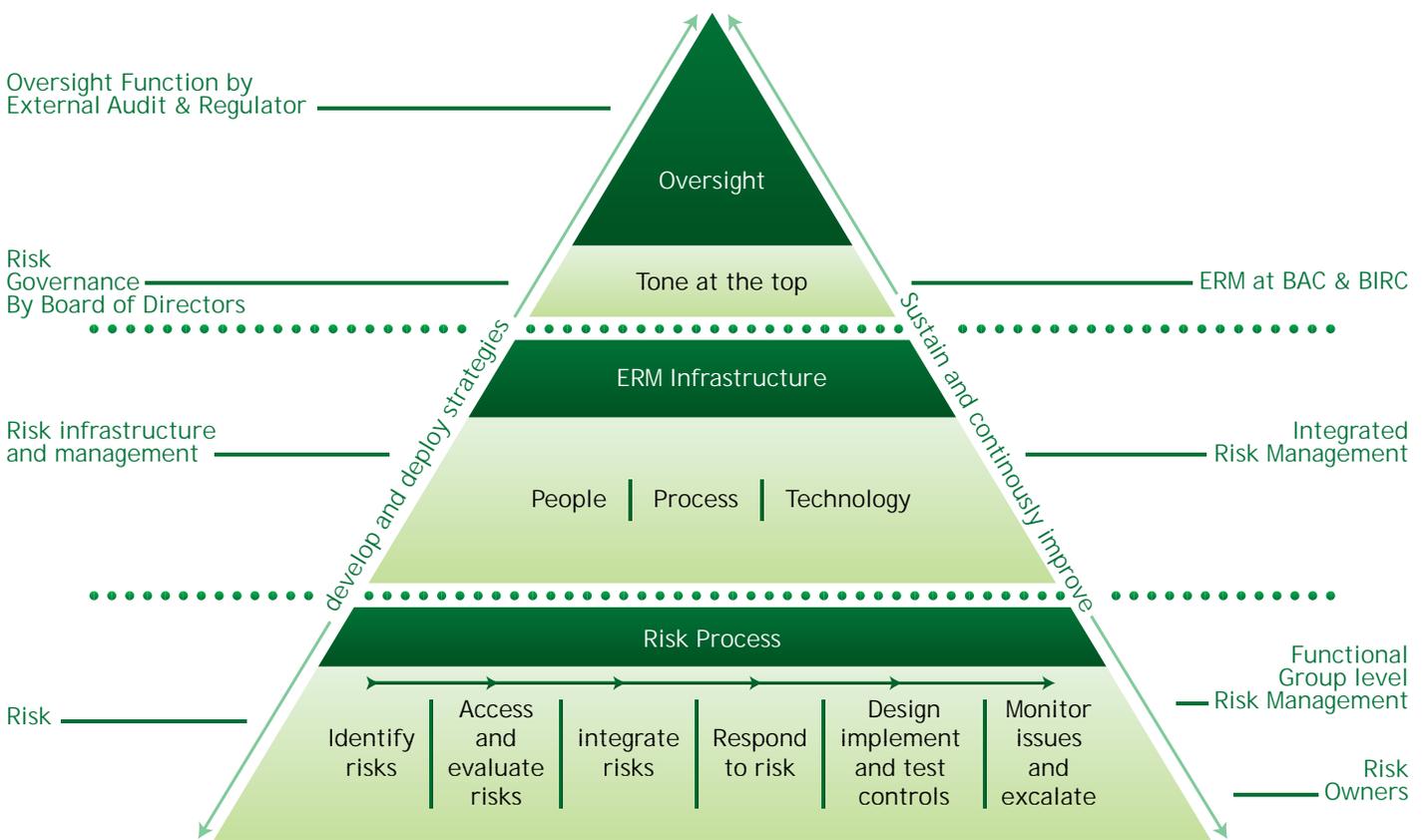
- a) Reviewing and recommending risk strategy and policies;
- b) Reviewing adequacy and effectiveness of the Company's risk framework
- c) Monitoring the implementation of risk mitigation plans;

An analysis report summarizing key risks and mitigating activities across different departments of the Company is presented to the Board on recommendation of BIRC.

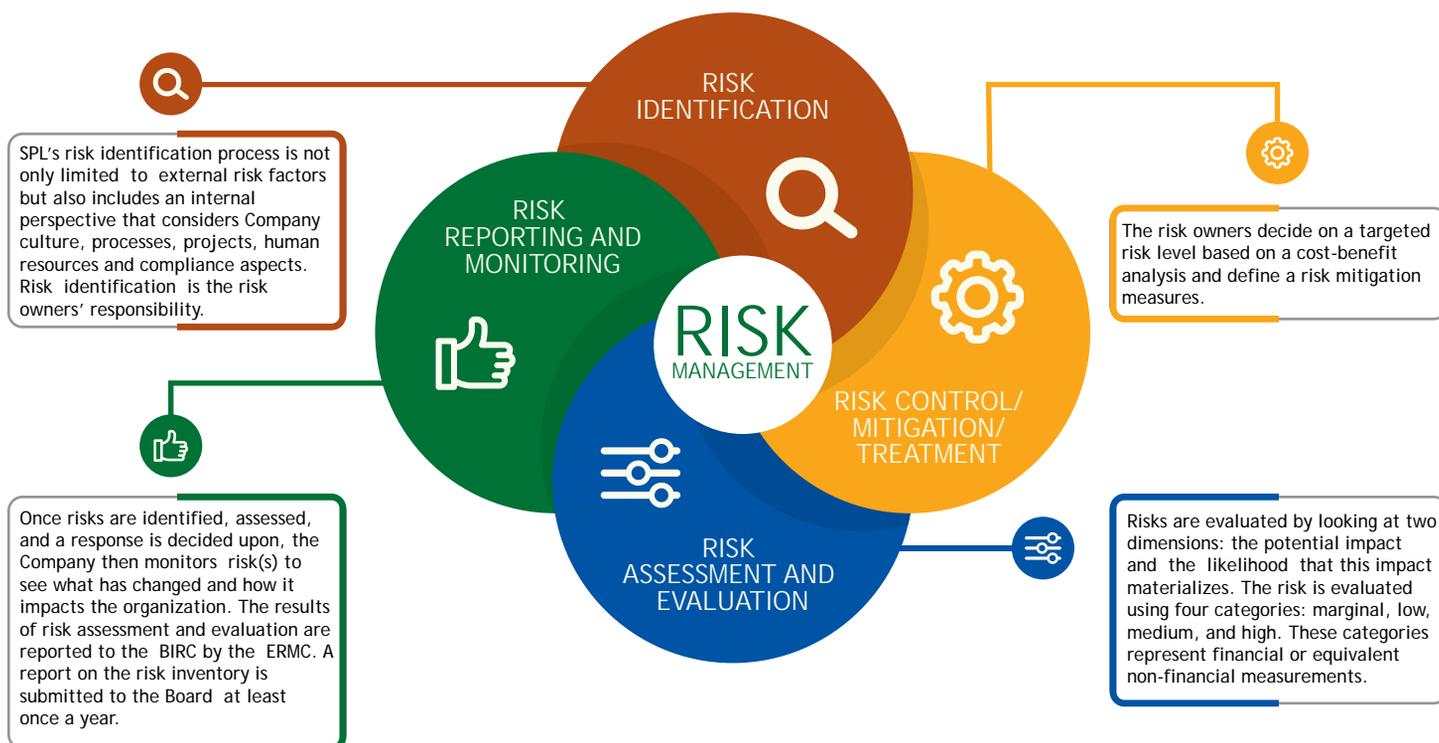
# RISK MANAGEMENT FRAMEWORK

## Board of Directors

The Board oversees the governance of Risk and for determines the Company’s level of risk tolerance by establishing risk management policies and for this purpose the Board undertakes an overall review of business risks on annual basis to ensure that the management maintains a sound system of risk identification, risk management and related systemic and internal controls to safeguard assets, resources, reputation and interest of the Company and shareholders.



# ENTERPRISE RISK MANAGEMENT PROCESS AT THE COMPANY



## Materiality Approach

Management believes materiality is a key component of effective communication with stakeholders. The management has adopted a materiality approach which is based on a combination of stakeholder engagement, understanding of environmental limits and strategic alignment. The base for identifying material issues for more transparent, credible and amenable disclosures is evidence and reliable assumptions.

Determination of materiality levels, other than those provided under the regulations, is judgmental and varies between organizations. In general, matters are considered to be material if, individually or in aggregate, they are expected to significantly affect the performance and profitability of the Company. Materiality levels are reviewed periodically and are appropriately updated.

# RISK AND MITIGATION STRATEGY

Not being conclusive, management considers that the following are the major risks which may affect the operations of the Company and mitigating strategies for these risks.

Risk Type	Description	Source	Assessment	Mitigation Strategies
Production Risk	The Company is the sole supplier of high-quality Banknote paper in the country. A large portion of its manufacturing capacity is utilized for a single product. The sales volume and capacity utilization, therefore, become largely dependent on the demand for currency notes in the country. This also results in a high dependence on a single customer.	External	Likelihood: Low Impact: High	The Company is constantly looking for new markets to expand into. Our unique strategic advantage is a deep, far reaching understanding of the manufacture of high-quality substrate for security documents with unique and foolproof security features, and we are leveraging that expertise to offer a wide variety of value-added products to various sectors and organizations. For this, the Company has established a Product diversification department, which is exploring new possibilities. The Company has recently obtained an order from Election Commission of Pakistan for the Ballot Paper first time ever in its history.
Commercial & Operational Risks	We are dependent on various inputs that are inherently not influenced by the Company. These include comber, denim, security thread, energy and water. We are also importing a large quantity of chemicals and equipment. Therefore, cost competitiveness of our product is dependent upon pricing and consistent supply of material and equipment from a large number of local and foreign suppliers.	External	Likelihood: Medium Impact: Medium	We have a comprehensive supply chain management system that ensures supply of local raw materials. By constantly looking to expand our supply base, we are in a position to regulate inventory and costs effectively. We enter into contracts that largely guard the Company against stock out situations. This assures timely supply of the needed goods. We have recently undergone a restructuring of our power infrastructure that will provide a more consistent energy supply for uninterrupted operations.  We operate Reverse Osmosis plants (RO) that caters to a large part of our water needs. We have also established waste water recycling plant which has augmented water supply in a cost effective, sustainable and environmental friendly manner.
Financial Risks	We are exposed to pricing fluctuations for our raw materials, based on local macroeconomic conditions, foreign currency fluctuations and market forces.	External	Likelihood: Medium Impact: Medium	We enter into contracts with suppliers - both local and foreign - in order to guard against abrupt fluctuations in pricing and exchange rate variation. We maintain adequate stock levels and are further enhancing our storage capacity to mitigate abrupt price increase risk.

# RISK AND MITIGATION STRATEGY

## Market Share Information

The Company is the sole supplier of high-quality Banknote paper and other security papers in the Country.

## Liquidity Strategy / Management

The Company always strives to maintain a strong liquidity position to ensure availability of sufficient working capital besides identification and mitigation of cash flow risks. The Company actively monitors daily cash position and revenue receipts from sales are managed through optimized control of customer credit. The Company's operations are majorly financed through cash generated from operations rather than long-term / short-term financing. Regular forecasting of cash flows and aging analysis are also carried out to maintain an optimum working capital cycle. The Company is not materially exposed to any liquidity risk. The Company manages liquidity risk through efficient cash flow management and by maintaining sufficient balances with banks and short-term financing facilities. The Company maintains a good business relationship with some reputable banks and financial institutions of the Country and all the financing facilities are readily available.

## Adequacy in Capital Structure

During Financial Year 2021-22, the equity of the Company has increased to Rs. 7,138 Million - reflecting a growth of 6.21% from Financial Year 2020-21. Equity mainly comprises of share capital and reserves. Management believes that currently there is no inadequacy in capital structure.



# Striving for Excellence in Corporate Reporting



# STRIVING FOR EXCELLENCE IN CORPORATE REPORTING

## Unreserved Compliance of International Financial Reporting Standards (IFRS)

The management of the Company strongly believes in adherence to unreserved compliance with all the applicable International Accounting Standards (IAS)/IFRS issued by the International Accounting Standards Board (IASB) and as adopted by SECP vital to fair preparation and presentation of financial information.

Compliance with IFRS encourages sufficient disclosures of the financial statements that are beneficial for informed decisions of stakeholders. Financial statements for the year have been prepared in accordance with the accounting and reporting standards issued by IASB as are applicable in Pakistan. IFRS adoption status is explained in detail in note 3 of the annexed financial statements.

## Adoption and Statement of Adherence with the International Integrated Reporting Framework



The Company strives to enhance stakeholders' awareness through excellence in corporate governance and ensuring transparency of the information presented to its stakeholders.

Over the years, we have been able to adapt to a changing corporate environment. An integrated report benefits anyone who's interested in the Company's ability to create value. This includes, but is not limited to, providers of financial capital, employees, customers, suppliers, local communities and regulators who may have an interest in the Company's integrated report.

The Company is mapping its annual report with International Integrated Reporting (IR) Framework to give an overview of how the Company's strategy, governance, performance and prospects, in the context of its external environment, leads to the creation of value over the short, medium and long term.

# STRIVING FOR EXCELLENCE IN CORPORATE REPORTING

The Company has mapped the information provided in this annual report with the following content elements of Integrated Reporting:

- A. Organizational overview and external environment
- B. Strategy and resource allocation
- C. Risks and opportunities
- D. Governance
- E. Performance and position
- F. Outlook
- G. Stakeholder's relationship and engagement
- H. Corporate Social Responsibility and Sustainability

## Adoption of Islamic Financial Accounting Standards (IFAS)

The Company has fully complied with Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017.

## Shariah Advisor Report

The Company is not required to have a Shariah Advisory Board hence there is no Sharia Advisory report during the FY 2021-22.

## Disclosure Beyond BCR Criteria

The Company has also mapped its report with additional disclosures which are beyond the criteria of BCR by ICAP and ICMAP to ensure further transparency, consistency, comparability and presentation of information for its stakeholders the details are as follows:

- GRI-Standards: Core options
- United Nations SDGs



# Analysis of Financial Information



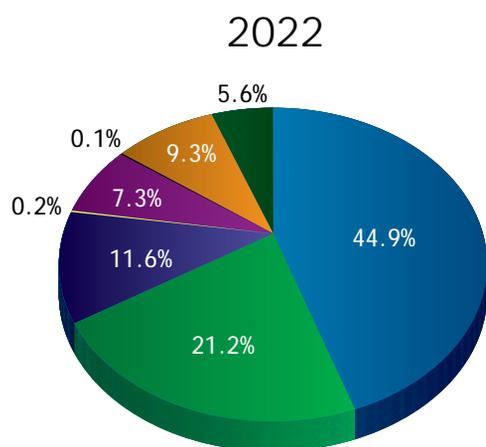
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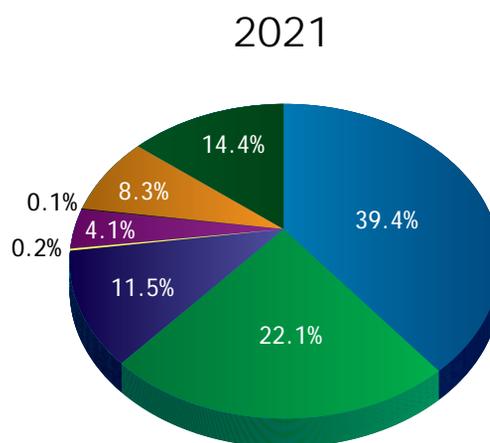
# STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

	2022	%	2021	%
	----- (Rupees in thousand) -----			
<b>VALUE ADDITION</b>				
Net Sales including Taxes	6,022,384	94.2%	5,852,547	90.8%
Other Operating Income	373,994	5.8%	590,051	9.2%
	<b>6,396,378</b>	<b>100%</b>	<b>6,442,598</b>	<b>100%</b>
<b>VALUE DISTRIBUTION</b>				
Materials and Services providers	2,871,077	44.9%	2,539,312	39.4%
Government Taxes and duties	1,356,291	21.2%	1,426,694	22.1%
Employees remuneration, benefits & Others	739,449	11.6%	739,362	11.5%
Society Welfare	10,609	0.2%	11,765	0.2%
Operating and other costs	466,268	7.3%	263,434	4.1%
Finance Cost	3,720	0.1%	3,586	0.1%
Dividends *	592,559	9.3%	533,304	8.3%
Retained Within the Business	356,405	5.6%	925,141	14.4%
	<b>6,396,378</b>	<b>100%</b>	<b>6,442,598</b>	<b>100%</b>

\* Subsequent to the year end, Board of Directors' proposed cash dividend of Rs.592.56 million (i.e. Rs.10.00 /- per share) for approval of the members in Annual General Meeting as referred to in note 38 of the financial statements.



- Materials and Services providers
- Government Taxes and duties
- Employees remuneration, benefits & Others
- Society Welfare
- Operating and other costs
- Finance Cost
- Dividends \*
- Retained Within the Business



- Materials and Services providers
- Government Taxes and duties
- Employees remuneration, benefits & Others
- Society Welfare
- Operating and other costs
- Finance Cost
- Dividends \*
- Retained Within the Business

# STATEMENT OF PROFIT OR LOSS

## Horizontal Analysis

	2022	2021	2020	2019	2018	2017
Sales - net	2.91%	2.05%	22.48%	15.42%	21.99%	10.01%
Cost of sales	12.14%	3.79%	24.36%	11.16%	23.95%	2.74%
Gross profit	(12.38%)	(0.71%)	19.62%	22.58%	18.82%	24.16%
Administrative expenses	10.34%	6.23%	24.60%	(1.77%)	23.44%	9.53%
Other income	(36.62%)	63.87%	104.99%	31.93%	(74.43%)	73.22%
Other expenses	73.97%	2.70%	(57.64%)	23.04%	182.26%	43.06%
Operating profit	(29.88%)	10.73%	55.37%	30.49%	(31.91%)	41.48%
Finance costs	24.99%	(17.03%)	39.73%	(28.32%)	4.50%	(63.28%)
Profit before taxation	(29.93%)	10.80%	55.41%	30.78%	(32.03%)	42.77%
Taxation - net	(16.55%)	2.35%	35.67%	22.50%	(13.74%)	29.70%
Profit after taxation	(34.93%)	14.28%	65.31%	35.36%	(39.17%)	48.63%

## Vertical Analysis

	2022	2021	2020	2019	2018	2017
Sales - net	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of sales	67.95%	62.36%	61.31%	60.38%	62.70%	61.70%
Gross profit	32.05%	37.64%	38.69%	39.62%	37.30%	38.30%
Administrative expenses	6.79%	6.34%	6.09%	5.98%	7.03%	6.95%
Other income	7.27%	11.80%	7.35%	4.39%	3.84%	18.32%
Other expenses	5.28%	3.12%	3.10%	8.97%	8.42%	3.64%
Operating profit	27.24%	39.98%	36.85%	29.05%	25.69%	46.03%
Finance costs	0.09%	0.07%	0.09%	0.08%	0.12%	0.15%
Profit before taxation	27.16%	39.91%	36.76%	28.97%	25.57%	45.89%
Taxation - net	8.72%	10.75%	10.72%	9.68%	9.12%	12.89%
Profit after taxation	18.44%	29.16%	26.04%	19.29%	16.45%	32.99%

# STATEMENT OF FINANCIAL POSITION

## Horizontal Analysis

	2022	2021	2020	2019	2018	2017
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	(4.43%)	8.66%	13.51%	(4.68%)	(0.12%)	(6.96%)
Right of use assets	2.62%	(16.44%)	100.00%	-	-	-
Intangible assets	(12.56%)	(10.26%)	1166.04%	20.09%	100.00%	-
Long term investments	32.31%	(31.33%)	9.14%	197.71%	(48.66%)	0.64%
Long-term deposits	3.48%	7.00%	4.45%	(13.57%)	13.88%	(72.05%)
<b>Current assets</b>						
Stores, spares and loose tools	6.77%	1.91%	8.06%	5.33%	24.99%	28.33%
Stock-in-trade	1.24%	4.69%	45.45%	(7.00%)	(28.69%)	12.64%
Trade debts - considered good	3.11%	125.06%	(60.06%)	44.19%	(0.83%)	103.25%
Advances, deposits, prepayments & other receivables	50.26%	75.15%	(47.40%)	78.64%	(35.72%)	115.65%
Interest accrued	(1.96%)	(49.45%)	36.20%	(0.27%)	(5.05%)	(36.91%)
Short term investments	12.50%	47.43%	28.34%	(28.07%)	20.36%	13.90%
Cash and bank balances	16.27%	(4.65%)	233.77%	(49.49%)	1255.33%	(79.69%)
<b>Total assets</b>	<b>9.47%</b>	<b>16.51%</b>	<b>14.78%</b>	<b>3.27%</b>	<b>3.74%</b>	<b>7.71%</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Trade and other payables	52.63%	9.39%	19.25%	(7.54%)	13.93%	23.68%
Accrued mark-up on short term finance - secured	272.41%	(91.92%)	209.48%	866.67%	(85.37%)	(74.77%)
Short term running finance	-	-	(100.00%)	61.17%	100.00%	-
Current maturity of long term loan	-	-	-	-	(100.00%)	(96.97%)
Current portion of lease liabilities	5.31%	4.12%	(0.35%)	4.52%	22.59%	18.21%
Unclaimed dividend	5.16%	158.11%	(16.87%)	(79.17%)	11.19%	(94.27%)
Unpaid dividend	13.69%	37.56%	1.01%	27.69%	17.61%	100.00%
Taxation - net	(36.29%)	(1.28%)	4.94%	(18.14%)	(13.09%)	12.90%
<b>Non-current liabilities</b>						
Lease liabilities	(14.90%)	(1.50%)	4.71%	13.95%	38.07%	(14.88%)
Long term finance	-	-	-	-	-	(100.0%)
Staff retirement benefits	35.68%	(12.44%)	8488.36%	-	-	-
Deferred taxation - net	(16.78%)	56.23%	(4.09%)	(31.03%)	(15.82%)	(21.33%)
<b>Total liabilities</b>	<b>24.97%</b>	<b>18.62%</b>	<b>4.18%</b>	<b>(3.34%)</b>	<b>9.94%</b>	<b>5.44%</b>
<b>NET ASSETS</b>						
Issued, subscribed and paid-up capital	-	-	-	-	-	-
General reserve	19.96%	10.57%	7.11%	7.20%	14.44%	6.11%
Unappropriated profit	(35.11%)	49.54%	140.21%	(7.24%)	(44.93%)	26.30%
<b>SHAREHOLDER'S EQUITY</b>	<b>6.20%</b>	<b>16.08%</b>	<b>17.24%</b>	<b>4.94%</b>	<b>2.28%</b>	<b>8.26%</b>
<b>Total liabilities &amp; Shareholder Equity</b>	<b>9.47%</b>	<b>16.51%</b>	<b>14.78%</b>	<b>3.27%</b>	<b>3.74%</b>	<b>7.71%</b>

# STATEMENT OF FINANCIAL POSITION

## Vertical Analysis

	2022	2021	2020	2019	2018	2017
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	20.04%	22.96%	24.62%	24.90%	26.97%	28.01%
Right of use assets	0.25%	0.27%	0.37%	-	-	-
Intangible assets	0.18%	0.22%	0.29%	0.03%	0.02%	0.00%
Long-term deposits	0.06%	0.06%	0.06%	0.07%	0.08%	0.08%
Long term investments	13.26%	10.97%	18.61%	19.57%	6.79%	13.72%
<b>Current assets</b>						
Stores, spares and loose tools	2.41%	2.47%	2.82%	3.00%	2.94%	2.44%
Stock-in-trade	6.30%	6.81%	7.58%	5.98%	6.64%	9.66%
Trade debts - considered good	9.40%	9.98%	5.17%	14.85%	10.64%	11.13%
Advances, deposits, prepayments and other receivables	1.35%	0.98%	0.65%	1.42%	0.82%	1.33%
Interest accrued	0.34%	0.38%	0.88%	0.74%	0.77%	0.84%
Short term investments	37.91%	36.89%	29.15%	26.08%	37.44%	32.27%
Cash and bank balances	8.51%	8.01%	9.79%	3.37%	6.89%	0.53%
<b>Total assets</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Lease liabilities	0.09%	0.11%	0.10%	0.12%	0.12%	0.12%
Trade and other payables	12.07%	8.66%	9.22%	8.87%	9.91%	9.02%
Unpaid & unclaimed dividend	4.63%	4.42%	3.72%	4.24%	3.55%	3.14%
Accrued mark-up on short term finance - secured	-	-	0.01%	-	-	-
Short term running finance	-	-	-	1.45%	0.93%	-
Taxation - net	0.81%	1.38%	1.63%	1.79%	2.25%	2.69%
<b>Non-current liabilities</b>						
Lease liabilities	0.18%	0.24%	0.28%	0.31%	0.28%	0.21%
Staff retirement benefits	0.38%	0.31%	0.41%	-	-	-
Deferred taxation - net	1.76%	2.31%	1.73%	2.06%	3.09%	3.81%
<b>Total liabilities</b>	<b>19.87%</b>	<b>17.41%</b>	<b>17.10%</b>	<b>18.84%</b>	<b>20.13%</b>	<b>18.99%</b>
<b>NET ASSETS</b>						
Issued, subscribed and paid-up capital	6.65%	7.28%	8.48%	9.74%	10.06%	10.43%
General & capital reserves	62.81%	57.31%	60.39%	64.72%	62.35%	56.52%
Unappropriated profit	10.67%	18.00%	14.02%	6.70%	7.46%	14.05%
<b>SHAREHOLDER'S EQUITY</b>	<b>80.13%</b>	<b>82.59%</b>	<b>82.90%</b>	<b>81.16%</b>	<b>79.87%</b>	<b>81.01%</b>
<b>Total liabilities &amp; Shareholder Equity</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

# ANALYSIS OF FINANCIAL STATEMENTS

PARTICULARS	2022	2021	2020	2019	2018	2017
<b>Financial Position</b>						
Fixed assets - net	1,785,402	1,868,242	1,719,417	1,514,757	1,589,119	1,591,021
Right to use assets	22,194	21,628	25,882	-	-	-
Intangible assets	15,855	18,133	20,206	1,596	1,329	-
Investments	1,180,955	892,543	1,299,667	1,190,841	399,999	779,176
Lease deposits	4,936	4,770	4,458	4,268	3,953	15,997
	<u>3,009,342</u>	<u>2,805,316</u>	<u>3,069,630</u>	<u>2,711,462</u>	<u>1,994,400</u>	<u>2,386,194</u>
Current assets	5,898,625	5,332,033	3,914,344	3,372,972	3,898,039	3,293,013
Current liabilities	1,563,087	1,183,904	1,025,438	1,001,985	988,323	850,482
Working capital	<u>4,335,538</u>	<u>4,148,129</u>	<u>2,888,906</u>	<u>2,370,987</u>	<u>2,909,716</u>	<u>2,442,531</u>
Less : Long term liabilities	50,625	44,515	48,389	18,735	16,441	11,908
Less: Deferred liabilities	156,652	188,230	120,481	125,618	182,124	216,360
Net Assets	<u>7,137,603</u>	<u>6,720,700</u>	<u>5,789,666</u>	<u>4,938,096</u>	<u>4,705,551</u>	<u>4,600,457</u>
Paid-up-Capital	592,559	592,559	592,559	592,559	592,559	592,559
Reserves	6,545,044	6,128,141	5,197,107	4,345,537	4,112,992	4,007,898
Shareholders' Equity	<u>7,137,603</u>	<u>6,720,700</u>	<u>5,789,666</u>	<u>4,938,096</u>	<u>4,705,551</u>	<u>4,600,457</u>
<b>Profit or Loss</b>						
Sales - net of taxes	5,147,258	5,001,692	4,901,284	4,001,591	3,466,918	2,842,085
Cost of sales	3,497,559	3,118,847	3,004,975	2,416,355	2,173,695	1,753,679
Gross profit	1,649,699	1,882,845	1,896,309	1,585,236	1,293,223	1,088,406
Administrative expenses	349,673	316,901	298,322	239,421	243,741	197,459
Profit after Admin expenses	1,300,026	1,565,944	1,597,987	1,345,815	1,049,482	890,947
Other Income	373,994	590,051	360,071	175,649	133,140	520,700
Other expenses	271,795	156,234	152,124	359,089	291,839	103,392
Finance costs	4,482	3,586	4,322	3,093	4,315	4,129
Profit before tax	1,397,743	1,996,175	1,801,612	1,159,282	886,468	1,304,126
Taxation	448,754	537,730	525,363	387,248	316,109	366,473
Profit after tax	948,989	1,458,445	1,276,249	772,034	570,359	937,653
<b>Investors Information</b>						
<b>Dividend *</b>						
Cash - Value	592,559	533,304	533,304	488,861	474,047	474,047
Cash - %	100%	90.0%	90.0%	82.5%	80%	80%
Profit retained in Business	356,430	925,141	742,945	283,173	96,312	463,606
Retention - %	37.56%	63.43%	58.21%	36.68%	16.89%	49.44%

# ANALYSIS OF FINANCIAL STATEMENTS

PARTICULARS	2022	2021	2020	2019	2018	2017
<b>Profitability Ratios</b>						
Gross profit to sales - %	32.05%	37.64%	38.69%	39.62%	37.30%	38.30%
EBITDA (Rs '000)	1,632,456	2,201,176	2,002,341	1,377,678	1,099,240	1,514,035
EBITDA margin to sales - %	31.72%	44.01%	40.85%	34.43%	31.71%	53.27%
Profit before tax to sales - %	27.16%	39.91%	36.76%	28.97%	25.57%	45.89%
Profit after tax to sales - %	18.44%	29.16%	26.04%	19.29%	16.45%	32.99%
Operating leverage ratio - %	(410.49%)	193.04%	71.53%	50.80%	(66.81%)	148.38%
Return on equity - before tax - %	19.58%	29.70%	31.12%	23.48%	18.84%	28.35%
Return on equity - after tax - %	13.30%	21.70%	22.04%	15.63%	12.12%	20.38%
Return on capital employed - %	13.20%	21.56%	21.86%	15.58%	12.08%	20.33%
<b>Turnover Ratios</b>						
Return on assets - before tax - %	15.69%	24.53%	25.80%	19.05%	15.05%	22.96%
Return on assets - after tax - %	10.65%	17.92%	18.27%	12.69%	9.68%	16.51%
Fixed assets turnover ratio	2.82:1	2.62:1	2.78:1	2.64:1	2.18:1	1.79:1
Total assets turnover - %	58.00%	61.00%	70.00%	66.00%	59.00%	50.00%
Stock turnover - (In times)	6.28	5.76	6.73	6.40	4.63	3.39
Stock turnover - no. of days	58	64	54	57	79	108
Debtor turnover ratio - no. of days	50	37	41	60	57	52
Creditor turnover ratio - no. of days	31	26	27	22	35	31
Operating cycle	77	75	68	95	101	129
<b>Liquidity Ratios</b>						
Current ratio	3.77:1	4.50:1	3.82:1	3.37:1	3.94:1	3.87:1
Quick ratio	3.28:1	3.87:1	3.11:1	2.83:1	3.37:1	3.08:1
Cash to current liabilities	0.49:1	0.55:1	0.67:1	0.20:1	0.41:1	0.12:1
Cash flow from operations to sales	0.23:1	0.14:1	0.34:1	0.16:1	0.29:1	0.10:1
Cash flow to capital expenditure	8.32:1	2.06:1	3.97:1	5.05:1	5.22:1	3.28:1
Cash flow coverage ratio	0.76:1	0.59:1	1.62:1	0.64:1	1.03:1	0.32:1
<b>Capital Structure Ratios</b>						
Financial leverage ratio	5.03:1	5.74:1	5.85:1	5.31:1	4.97:1	5.26:1
Long term debt to equity	0.01:1	0.01:1	0.01:1	0.00:1	0.00:1	0.00:1
Long term debt to asset	0.01:1	0.01:1	0.01:1	0.00:1	0.00:1	0.00:1
Debt equity ratio	0.01:1	0.01:1	0.01:1	0.00:1	0.00:1	0.00:1
Net assets per share	120.45	113.42	97.71	83.34	79.41	77.64
Interest cover ratio	659:1	828:1	595:1	777:1	444:1	1,092:1
Weighted average cost of debt	9.73%	10.0%	12.8%	8.19%	10.74%	5.61%

# ANALYSIS OF FINANCIAL STATEMENTS

PARTICULARS	2022	2021	2020	2019	2018	2017
<b>Market Ratios</b>						
No. of shares in issue - No.	59,256	59,256	59,256	59,256	59,256	59,256
Cash dividend per share (Rs)	10.00	9.00	9.00	8.25	8.00	8.00
Earning per share - before tax (Rs)	23.59	33.69	30.40	19.56	14.96	22.01
Earning per share - after tax (Rs)	16.02	24.61	21.54	13.03	9.63	15.82
Break-up value per share (Rs) :						
- Without surplus on revaluation on fixed assets	120.45	113.42	97.71	83.34	79.41	77.64
- With surplus on revaluation on fixed assets						
Price earning ratio - year end price (Rs)	7.24	5.87	6.59	7.12	12.57	9.22
Earning yield - year end price - %	13.81%	17.02%	15.17%	14.04%	7.95%	10.84%
Dividend payout - %	62.44%	36.57%	41.79%	63.32%	83.11%	50.56%
Dividend yield - year end price - %	8.62%	6.23%	6.34%	8.89%	6.61%	5.48%
Dividend cover - times	1.6	2.73	2.39	1.58	1.20	1.98
<b>Employee Productivity Ratios</b>						
Production per employee (tons)	13.51	12.35	12.06	9.84	8.54	7.06
Revenue per employee (Rs in mn)	16.60	14.93	13.50	10.59	9.05	7.27
Staff turnover ratio - %	6.45%	11.94%	5.23%	4.50%	4.96%	7.50%
<b>Non-Financial Ratios / Others</b>						
Plant availability - %	98.53%	99.2%	99.6%	99.53%	99.20%	97.37%
Spare inventory as - % of assets cost	4.55%	4.52%	4.97%	4.75%	4.67%	3.99%
Maintenance cost as - % of operating expenses	1.41%	1.45%	1.64%	1.67%	1.82%	2.39%
<b>Share Performance</b>						
Share price - highest (Rs)	172.00	248.50	151.49	127.00	170.00	176.75
Share price - lowest (Rs)	106.25	122.00	77.25	78.00	115.49	87.10
Share price - average (Rs)	139.13	185.25	113.26	102.50	142.75	131.93
Share price - at year end (Rs)	115.96	144.57	141.95	92.79	121.02	145.95
Market capitalization - year end price - (Rs '000)	6,871,310	8,566,620	8,411,369	5,498,351	7,171,144	8,648,393
Turnover of shares (no. of shares)	7,667,805	8,064,300	2,538,200	2,620,600	3,672,400	10,667,500
<b>Production (Ton)</b>						
Banknote paper	3,575	3,527	3,399	3,214	2,692	2,334
Non-banknote paper	612	611	978	505	581	488
<b>Total</b>	<b>4,187</b>	<b>4,138</b>	<b>4,377</b>	<b>3,719</b>	<b>3,273</b>	<b>2,822</b>
<b>Sales (Ton)</b>						
Banknote paper	3,567	3,534	3,373	3,215	2,712	2,385
Non-banknote paper	609	629	962	511	591	473
<b>Total</b>	<b>4,176</b>	<b>4,163</b>	<b>4,335</b>	<b>3,726</b>	<b>3,303</b>	<b>2,858</b>

# ANALYSIS OF FINANCIAL STATEMENTS

PARTICULARS	2022	2021	2020	2019	2018	2017
<b>Summary of Cash Flows</b>						
Cash flows from operating activities	1,185,211	695,287	1,660,735	641,961	1,014,309	272,273
Net cash used in investing activities	(584,202)	(283,872)	(656,975)	(380,817)	(317,087)	134,396
Net cash used in financing activities	(494,930)	(443,251)	(524,734)	(461,881)	(396,502)	(449,104)
Cash and cash equivalents at beginning of the year	652,103	683,939	204,913	405,650	104,930	147,365
Cash and cash equivalents at end of the year	758,182	652,103	683,939	204,913	405,650	104,930

All figures are in thousand rupees, unless stated otherwise.

\*\* Subsequent to the year end, Board of Directors' proposed cash dividend of Rs. 592.559 million (i.e. Rs.10.00 /- per share) for approval of the members in Annual General Meeting as referred to in note 38 of the financial statements.

## COMMENTS ON RATIO ANALYSIS

### Profitability ratios

Sales revenue improved during the year by 3% as compared to last year and other income on financial assets increased by Rs 111 MN during the year, however, gross profit to net sales is lower than previous year due to inflationary impact and devaluation of currency resulting in increased input cost. Moreover, net profit to net sales is lower than previous year primarily due to unrealized loss on investment in mutual funds resulted from subdued performance of Stock Exchange. Return on equity and return on capital employed fell compared to prior years due to lower profits earned during the year.

### Turnover ratios

During the year, the recoveries from customers increased by 18% as compared to previous year, evidencing the Company's efforts to recover outstanding receivable. The Debtor turnover days increased from 37 days to 50 days as against last year due to higher sales in last month of the year which has been recovered subsequently. Likewise, during the year, the payments to suppliers increased by 11% as compared to last year, however Creditor turnover days increased insignificantly from 26 days to 31 days as compared to previous year which remains in acceptable limits. Further, fixed assets turnover has slightly improved to 2.82:1 in current year as against 2.62:1 in previous year due to increase in sales and depreciation during the year.

### Liquidity ratios

Cash and cash equivalents increased to Rs 758 MN from Rs 652 MN as compared to last year, reflecting strong financial position of the Company. The investments in long term PIBs, capital expenditures and dividend payments resulted in decrease in current ratio, quick ratio and cash to current liabilities.

# ANALYSIS OF FINANCIAL STATEMENTS

## Capital structure ratios

Debt Equity, long term debt to equity and long term debt to assets ratio are maintained at 0.01:1 as the leverage position was kept to its minimum. Owing to minimal leverage and strong financial position, the Company reported a healthy interest cover ratio of 659:1 in current year.

## Market ratios

Earning per share decreased due to lower profits but dividend per share increased by 11% and breakup value per share and dividend payout ratio also showing upward trends. External environment such as domestic political scenario, Ukraine-Russia war, rising global prices and inflationary pressures caused subdued performance of stock market which adversely affected share price of the Company.

## Employee productivity ratios

The Company is committed to ensure fair, healthy, safe, and better working environment to its employees to keep them motivated which resulted in higher per capita revenue and per employee per ton production during the year.

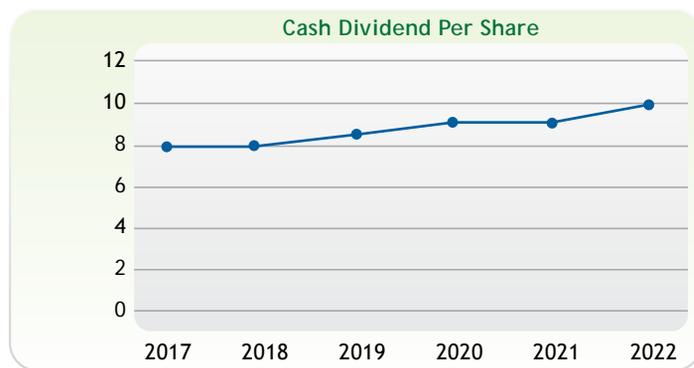
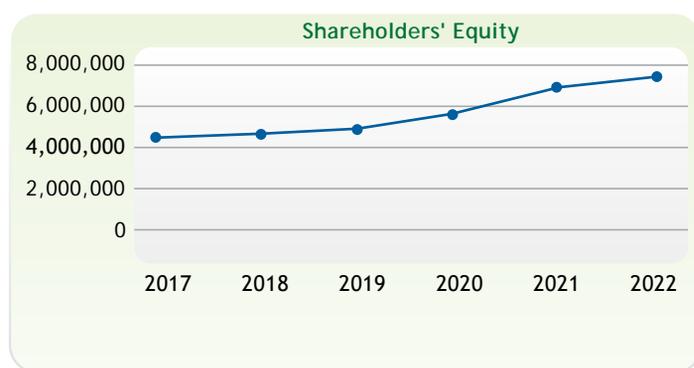
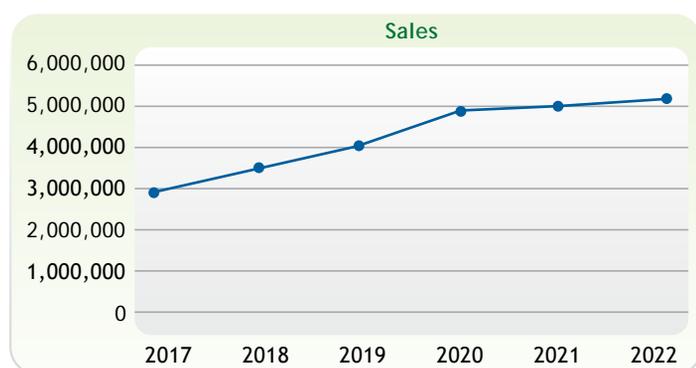
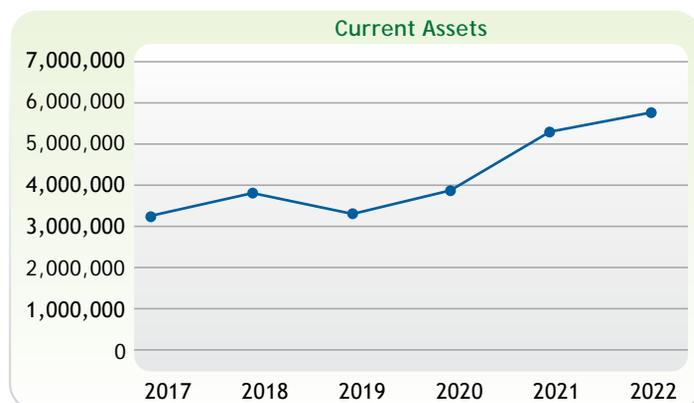
## Non-financial ratios

Plant remains available for production for more than 98% during the year which is result of predictive maintenance approach for plant and machinery. Spares inventory remain within 5% of fixed assets cost which shows efficient inventory management by the Company. Further expenses on maintenance of plant & machinery remain at low level,

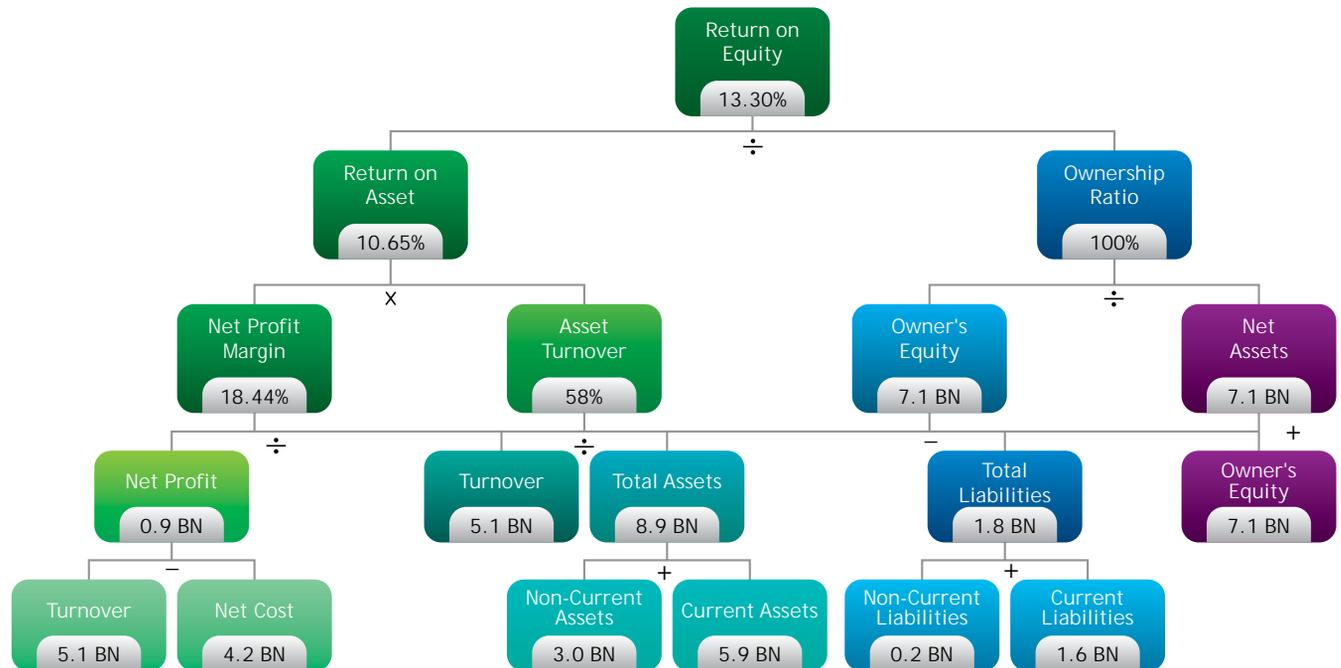
## Operating cash flow ratios

The Company's cash flow to capital expenditure ratio reflects the ability of the company to acquire long term assets through its own resources further Company has strong ability to pay off its loans through cash generated from its operations. The Company's current liability coverage ratio has up trended from 59% to 76% as against previous year, showing Company's good financial health and ability to pay of its current liabilities and dividends immediately.

# GRAPHICAL PRESENTATION OF ANALYSIS OF FINANCIAL STATEMENTS



# DUPONT ANALYSIS CHART WITH COMMENTS



BN = Billion

## Comments on DuPont Analysis

Turnover of the Company improved to Rs 5.14 BN as compared to from Rs 5.01 BN in previous year, reflecting the stability and outstanding performance of the Company, notwithstanding the below mentioned challenges.

Profit After Tax of the Company plunged to 18.44% in 2022 as compared to 29.16% reported in 2021, mainly due to adverse impacts in prices of raw material, rising energy cost, transportation cost, economic uncertainty, devaluation of currency, imposition of super tax and loss on remeasurement of investments in mutual funds.

Despite marginal increase in revenues, reduction in total assets turnover ratio is attributable to increase in investment by Rs 632 Million.

Financial leverage position remained kept at minimum as assets are mainly financed by the equity.

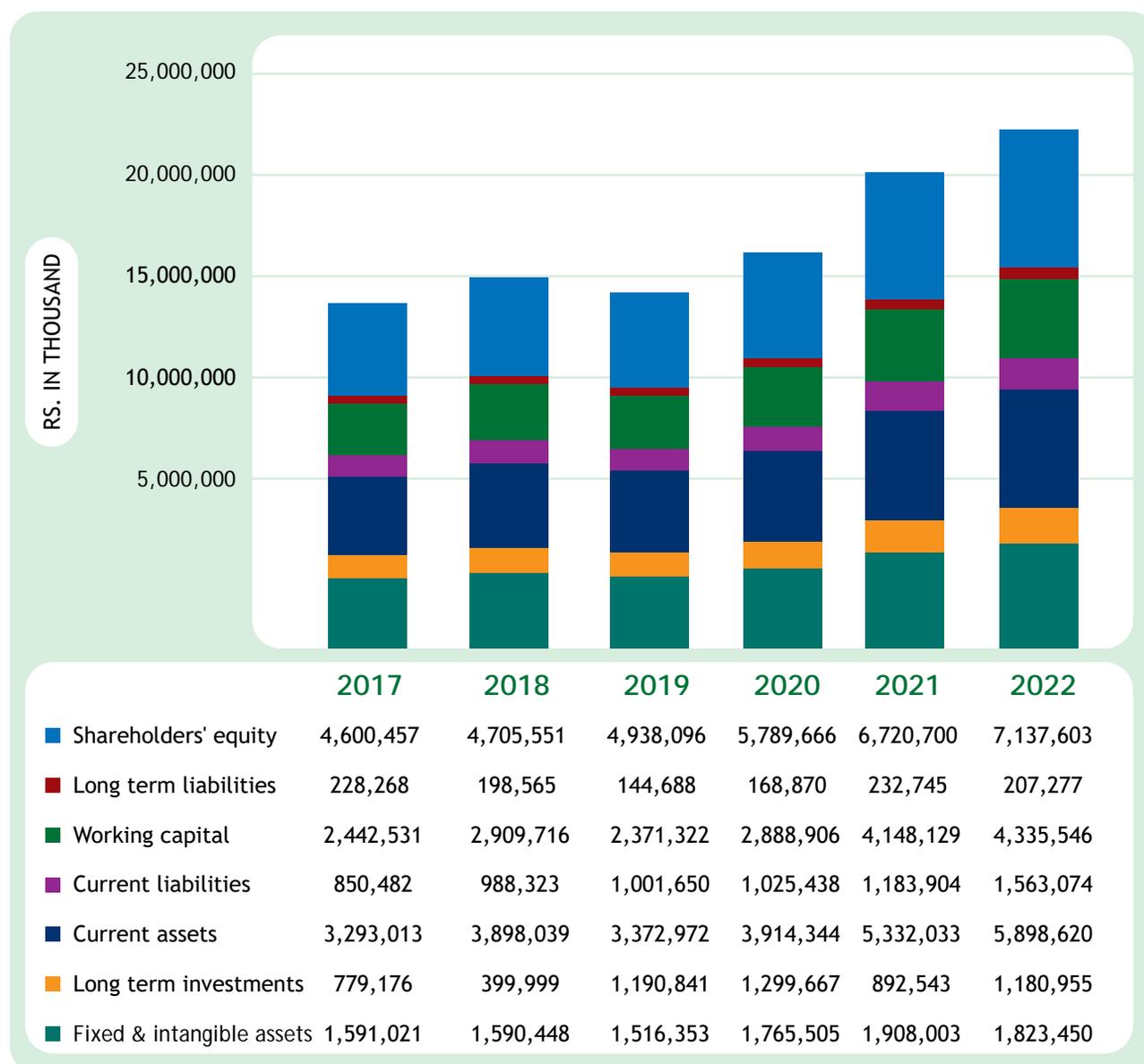
Interest burden ratio remained healthy and stood 99.73% in 2022 as compared to 99.82% in 2021, reflecting minimal leverage position of the Company.

Tax efficiency ratio reflects that the Company was able to retain 73.06% of its profits after paying taxes, thus leading to higher ROE.

Equity multiplier has also been maintained at lower levels over the periods which reflects Company's minimal use of leverage to finance its assets.

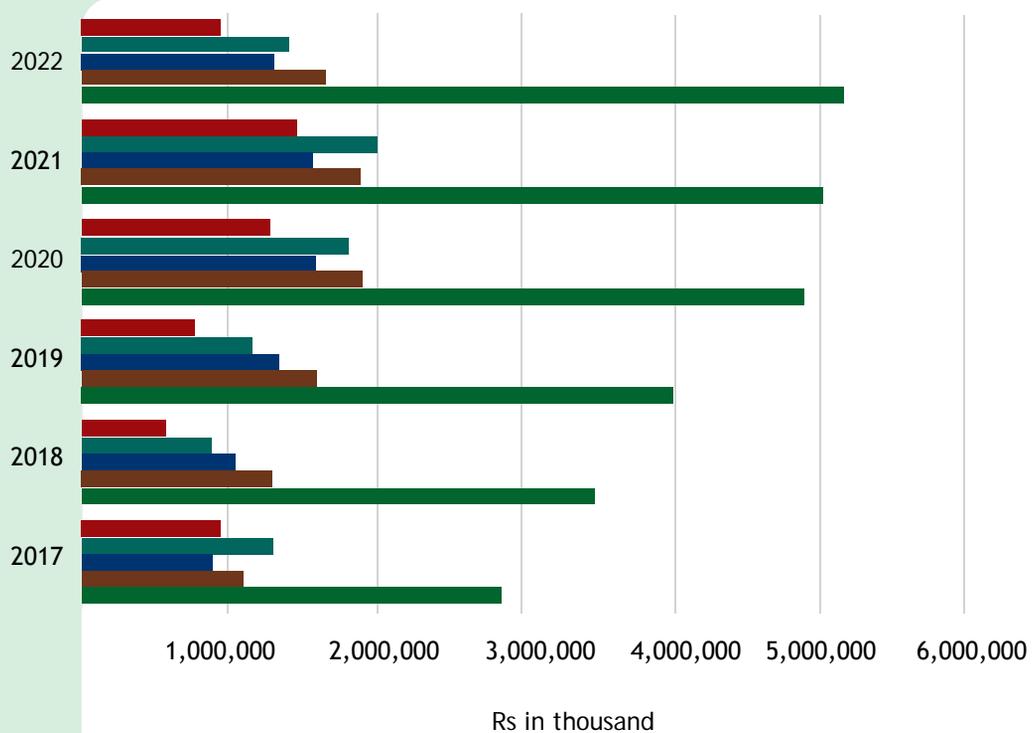
# GRAPHICAL PRESENTATION OF FINANCIAL STATEMENTS & SHARE PERFORMANCE

## STATEMENT OF FINANCIAL POSITION



# GRAPHICAL PRESENTATION OF FINANCIAL STATEMENTS & SHARE PERFORMANCE

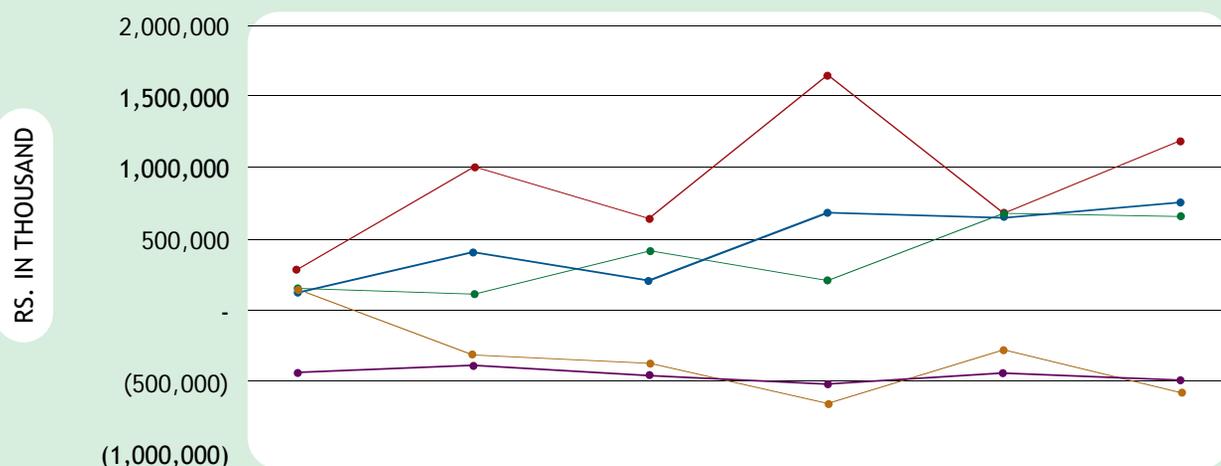
## STATEMENT OF PROFIT OR LOSS



	2017	2018	2019	2020	2021	2022
■ Sales	2,842,085	3,466,918	4,001,591	4,901,284	5,001,692	5,147,258
■ Gross Profit	1,088,406	1,293,223	1,585,236	1,896,309	1,882,845	1,649,699
■ Operating Profits	890,947	1,049,482	1,345,815	1,597,987	1,565,944	1,300,026
■ Profit Before Tax	1,304,126	886,468	1,159,282	1,801,612	1,996,175	1,397,743
■ Profit After Tax	937,653	570,359	772,034	1,276,249	1,458,445	948,989

# GRAPHICAL PRESENTATION OF FINANCIAL STATEMENTS & SHARE PERFORMANCE

## STATEMENT OF CASH FLOWS



	2017	2018	2019	2020	2021	2022
Opening Cash & Cash Equiv:	147,365	104,930	405,650	204,913	683,939	652,103
Operating Activities	272,273	1,014,309	641,961	1,660,735	695,287	1,185,211
Investing Activities	134,396	(317,087)	(380,817)	(656,975)	(283,872)	(584,202)
Financing Activities	(449,104)	(396,502)	(461,881)	(524,734)	(443,251)	(494,930)
Closing Cash & Cash Equiv:	104,930	405,650	204,913	683,939	652,103	758,182

## SHARE PERFORMANCE



	2017	2018	2019	2020	2021	2022
Share Price - Highest (Rs)	176.75	170.00	127.00	151.49	248.50	172.00
Share Price - Lowest (Rs)	87.10	115.49	78.00	77.25	122.00	106.25
Share Price - Average (Rs)	131.93	142.75	102.50	113.26	125.00	139.13
Share Price - At year end (Rs)	145.95	121.02	92.79	141.95	144.57	115.96

# ANALYSIS OF THE FINANCIAL AND NON-FINANCIAL PERFORMANCE

Financial metrics include revenue, costs, profitability, gearing, liquidity, return on assets etc. Key performance indicators are used to measure progress in essential areas of Company's performance. Financial Statement metrics include current ratio, inventory turnover, debt to equity ratio and earnings per share.

During the year under review, the Company earned profit after tax of Rs. 949 million (Budgeted: Rs.986 million). The Company has successfully commissioned following projects:

- Installation of 100 KW diesel operated generator at pumping station enabled uninterrupted water supplies at plant, even in case of power failure.
- Installation and Commissioning of new Refiner assemblies which has enhanced stock refining capacity in the production line.
- Up-gradation of the Electrical Control System of Winder Machine of finishing area.
- As a part of Company's continual energy conservation plan, latest inverter drives of 250 KW rating installed at new Refiner assemblies, that reduces torque load at power generation plant.
- The Company is committed towards green energy. After satisfactory implementation of pilot project of solar powered system of 10 KW capacity, another project of 40 KW capacity has been initiated to cater the lighting load of the admin block of the Company.

Non-Financial Key Performance Indicators are other measures used to assess the activities that the Company sees as important to the achievement of its strategic objectives. Non-financial metrics are quantitative measures that relates to employees, customers relationship, quality, cycle time etc.,

During the year the Human Resources (HR) department was focused on building talent for future through a Performance Measurement System. Key Performance Indicators played an important role in the measurement of progress of the Organization towards attainment of its goals.

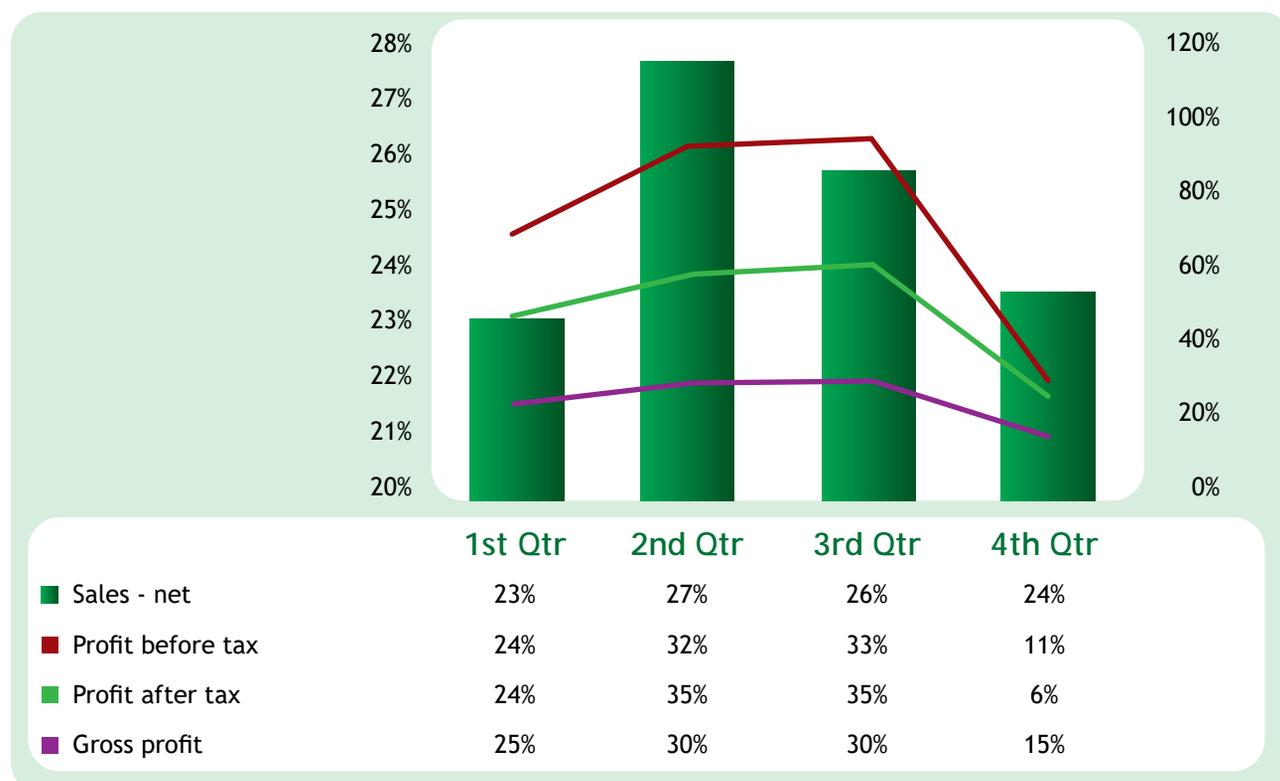
Quality Control department receives Customer's feedback and highlights the areas of improvement. The Company measures customer satisfaction/complaint systematically by giving timely feed back to its customers.

# QUARTERLY PERFORMANCE ANALYSIS

	Sep-21	Dec-21	Mar-22	Jun-22	Total
	----- (Rupees in thousand) -----				
Sales - net	1,184,251	1,418,322	1,332,834	1,211,851	5,147,258
Cost of sales	(765,813)	(930,803)	(830,105)	(970,838)	(3,497,559)
<b>Gross profit</b>	418,438	487,519	502,729	241,013	1,649,699
Administrative expense	(81,611)	(81,459)	(86,891)	(99,712)	(349,673)
Other income	66,993	79,442	100,123	127,436	373,994
Other expenses	(71,121)	(41,195)	(48,615)	(110,864)	(271,795)
<b>Operating profit</b>	332,699	444,307	467,346	157,873	1,402,225
Finance cost	(1,004)	(2,125)	(1,212)	(141)	(4,482)
<b>Profit before taxation</b>	331,695	442,182	466,134	157,732	1,397,743
Taxation	(103,710)	(106,015)	(134,713)	(104,316)	(448,754)
<b>Profit after taxation</b>	227,985	336,167	331,421	53,416	948,989

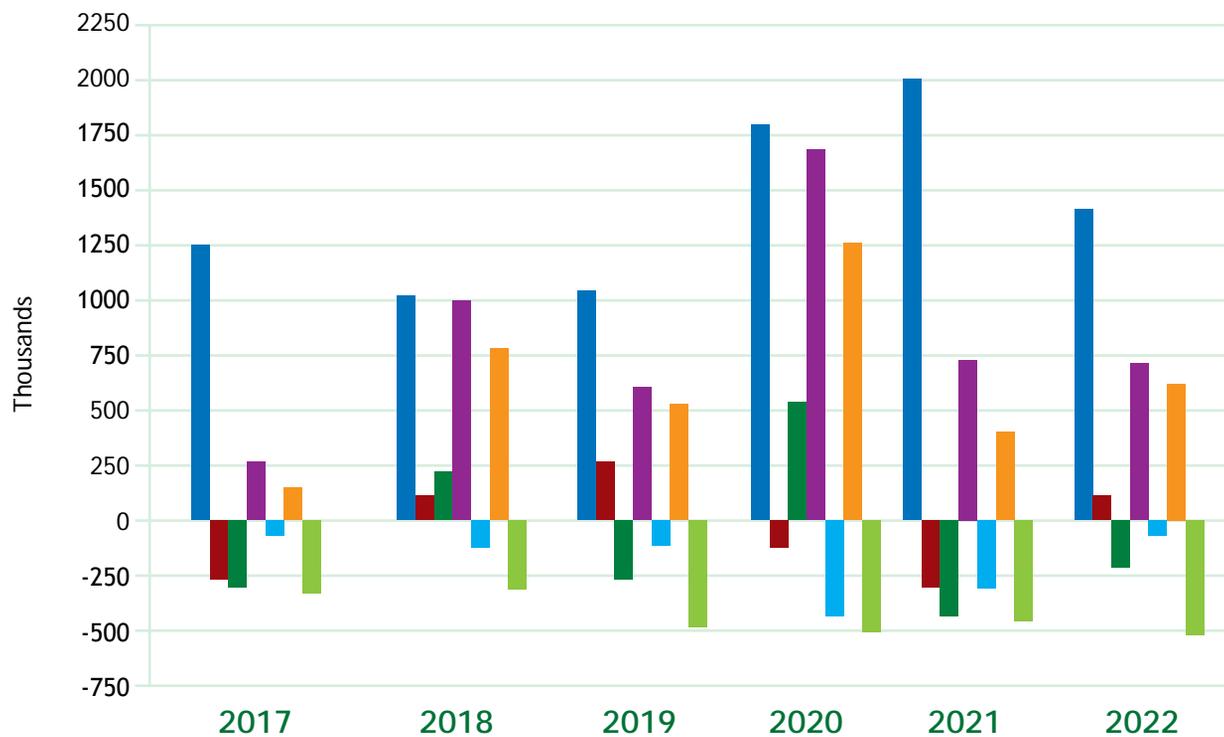
## Comments on quarterly performance

During 1st, 2nd and 3rd quarters performance and profitability of the Company remain satisfactory. However, during 4th quarter impact of inflation, rising input cost and currency devaluation coupled with political uncertainty adversely affect the profitability of the Company. Subdue performance of stock market and imposition of super tax affected the overall profitability of the Company.



# STATEMENT OF FREE CASH FLOWS

	2022	2021	2020	2019	2018	2017
	----- (Rupees in thousand) -----					
Profit before tax	1,397,743	1,996,175	1,801,612	1,159,282	1,079,885	1,304,126
Adjustment for non-cash items	46,300	(347,287)	(146,582)	296,483	76,874	(300,248)
Taxes Paid	(521,193)	(471,438)	(525,129)	(467,841)	(371,565)	(381,554)
Working Capital Changes	(197,250)	(453,166)	530,834	(345,963)	229,115	(350,051)
Net cash generated from operational activities	725,600	724,284	1,660,735	641,961	1,014,309	272,273
Capital expenditure	(142,371)	(337,197)	(418,119)	(127,126)	(194,495)	(83,049)
Free cash flows	583,229	387,087	1,242,616	514,835	819,814	189,224



- Profit before tax
- Adjustment for non-cash items
- Taxes Paid
- Working Capital Changes
- Net cash generated from operational activities
- Capital expenditure
- Free cash flows

# STATEMENT OF CASH FLOWS - DIRECT METHOD

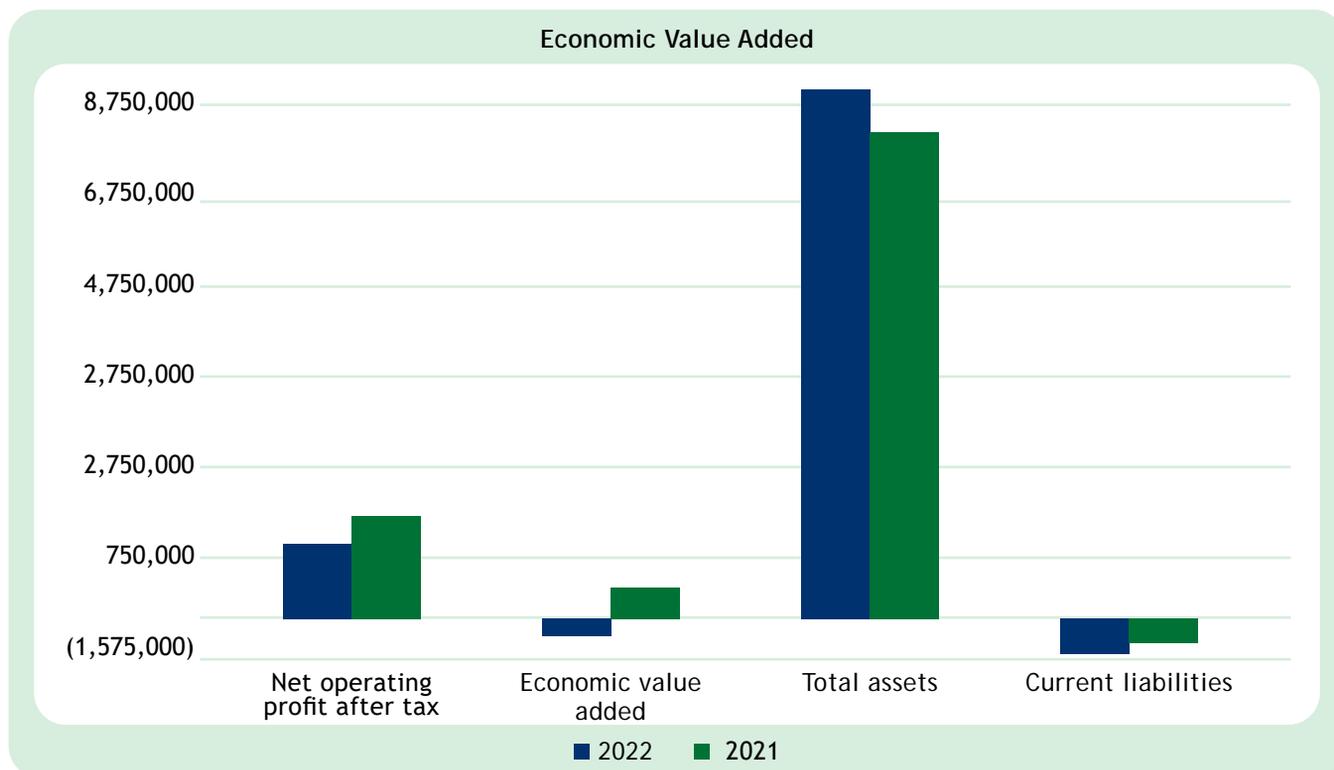
	2022	2021
	----- (Rupees in thousand) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from Customers	6,393,684	5,412,272
Cash paid to suppliers and employees	4,665,099	4,216,550
Cash generated from operations	1,728,585	1,195,722
Net income tax paid	(521,193)	(471,438)
Staff retirement benefits paid	(19,957)	(26,999)
Finance costs paid	(2,058)	(1,686)
Lease deposits paid	(166)	(312)
<b>Net Cash generated from operating activities</b>	<b>1,185,211</b>	<b>695,287</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(142,371)	(337,197)
Purchase of intangible assets	(312)	(510)
Proceeds from sale of operating fixed assets	1,858	2,316
Investment made during the year	(7,306,670)	(2,455,072)
Investment matured during the year	6,674,851	2,274,787
Dividend received on mutual fund	1,113	7,799
Mark-up received	187,329	224,005
<b>Net cash used in investing activities</b>	<b>(584,208)</b>	<b>(283,872)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of lease liabilities	(10,519)	(9,461)
Dividend paid	(484,411)	(433,790)
<b>Net cash used in financing activities</b>	<b>(494,930)</b>	<b>(443,251)</b>
<b>Net increase in cash and cash equivalents</b>	<b>106,079</b>	<b>(31,836)</b>
Cash and cash equivalents at beginning of the year	652,103	683,939
<b>Cash and cash equivalents at end of the year</b>	<b>758,182</b>	<b>652,103</b>

# ECONOMIC VALUE ADDED

	2022	2021
	----- (Rupees in thousand) -----	
Net operating profit after tax	953,471	1,462,031
Cost of capital	<u>(1,241,285)</u>	<u>(995,038)</u>
<b>Economic value added</b>	<b>(287,814)</b>	<b>466,993</b>
Total assets	<u>8,907,967</u>	<u>8,137,349</u>
Current liabilities	<u>(1,563,087)</u>	<u>(1,183,904)</u>
Invested capital	7,344,880	6,953,445
WACC	16.90%	14.31%
Cost of capital	<u><u>1,241,285</u></u>	<u><u>995,038</u></u>

## Comments on Economic Value Added

Due to rising policy rates, WACC increased considerably. Lower profits as compare to last year due to rising cost and subdue performance of stock exchange resulted in negative addition of economic value.



# SHARE PRICE SENSITIVITY ANALYSIS

Following are some major factors which may influence performance of the company and its share price.

## Energy prices

The company has its own co-generation power plant. Increase in energy rates and continuous appreciation of fuel prices and increasing dependence on imported energy may affect the financial performance of the Company.

## Exchange rate fluctuation

The Company is directly exposed to exchange rate fluctuations since the major raw materials such as security threads, invisible fibers and chemicals are imported.

## Plant operations

The Company has state-of-the-art production facility. Any major break down in production facility may cause reduction in production and sales hence adversely affect the share price.

## Raw material prices

The company's performance is directly influenced by sensitivity in raw material prices. There are various raw materials which are locally procured or imported by the company. Major raw material, such as cotton comber, security thread, invisible fiber & chemicals are directly influenced by local cotton crop, international price and oil prices hence affects the financial performance of the Company.

## SPL share price history

SEPL (Monthly) July 01, 2021 to Jun 30, 2022



Source: <https://www.khistocks.com>



# Financial Statements



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145	Statement of Changes in Equity
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147	Notes to the Financial Statements



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Chartered Accountants  
Sheikh Sultan Trust Building No. 2, Beaumont Road  
Karachi 75530 Pakistan  
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## INDEPENDENT AUDITOR'S REPORT

### To the members of Security Papers Limited

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of **Security Papers Limited** (the Company), which comprise the statement of financial position as at 30 June 2022, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2022 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG Taseer Hadi & Co., a Pakistan firm, is a member firm of the KPMG network of independent member firms affiliated with KPMG International Limited, a global Swiss entity, which is a member firm of the KPMG network.



## KPMG Taseer Hadi &amp; Co.

Following is the Key audit matter:

Key audit matter	How the matter was addressed in our audit
<p><b>Revenue Recognition: Sales of goods to a related party</b></p>	
<p>Refer to note 21 to the financial statements and the accounting policy in note 3.20 to the financial statements.</p> <p>The Company generated net revenue of Rs. 5,147 million (2021: Rs. 5,001 million). Out of the total sales, Rs. 4,417 which constitutes 85.82% (2021: Rs. 4,249 million i.e. 84.96%) of total sales made to Pakistan Security Printing Corporation (Private) Limited (PSPC) which is also a significant shareholder with 40.03% in equity. Under this arrangement provisional pricing agrees at the beginning of the financial year which is subject of final adjustment based on cost plus pricing arrangement at year end if any.</p> <p>We identified revenue recognition as key audit matter because of significant sale is made to a related party PSPC under cost-plus pricing arrangement and its recognition in appropriate period which could potentially impact the operating results of the Company.</p>	<p>Our audit procedures in respect of recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of and testing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period based on prevailing agreed price under cost plus pricing arrangement;</li> <li>• Assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with accounting and reporting standards as applicable in Pakistan;</li> <li>• Testing revenue transactions recorded during the year on a sample basis with sales orders, sales invoices, delivery documents and other relevant underlying documents;</li> <li>• Reviewing approved agreement with PSPC to understand the nature and terms and conditions of revenue transactions;</li> </ul>



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Key audit matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"><li>• Testing revenue transactions recorded before and subsequent to the reporting period on a sample basis to assess whether the revenue transactions are recorded in appropriate period based on agreed prices and underlying documents.</li><li>• Obtaining confirmation from PSPC for transactions and balances; and</li><li>• Assessing the adequacy of the disclosures in accordance with the requirements of the accounting and reporting standards as applicable in Pakistan.</li></ul>

#### **Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the Company's Annual Report for 2022 but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of



## KPMG Taseer Hadi & Co.

financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material



## KPMG Taseer Hadi & Co.

uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and



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- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Taufiq

**Date: 03 October 2022**

**Karachi**

**UDIN: AR202210106NPtbke5o7**

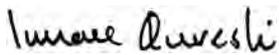
*KPMG Taseer Hadi & Co.*  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

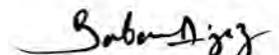
# STATEMENT OF FINANCIAL POSITION

## As at 30 June 2022

	Note	2022 (Rupees in '000)	2021 (Rupees in '000)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	1,785,402	1,868,242
Right-of-use assets	4.1	22,194	21,628
Intangible assets	5	15,855	18,133
Long-term investments	6	1,180,955	892,543
Lease deposits		4,936	4,770
		<u>3,009,342</u>	<u>2,805,316</u>
<b>Current assets</b>			
Stores, spare parts and loose tools	7	214,612	200,998
Stock-in-trade	8	560,764	553,921
Trade debts - considered good	9	837,489	812,253
Loans, advances, deposits, prepayments and other receivables	10	119,887	79,784
Interest accrued	11	30,457	31,067
Short term investments	12	3,377,234	3,001,907
Cash and bank balances	13	758,182	652,103
		<u>5,898,625</u>	<u>5,332,033</u>
		<u>8,907,967</u>	<u>8,137,349</u>
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Authorised share capital 70,000,000 (2021: 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	14	592,559	592,559
<b>Revenue reserves</b>			
General reserves		5,594,837	4,663,799
Unappropriated profits		950,207	1,464,342
		<u>6,545,044</u>	<u>6,128,141</u>
<b>Total shareholders' equity</b>		<u>7,137,603</u>	<u>6,720,700</u>
<b>Non-current liabilities</b>			
Lease Liabilities	15	16,445	19,324
Staff retirement benefits	16	34,180	25,191
Deferred taxation - net	17	156,652	188,230
		<u>207,277</u>	<u>232,745</u>
<b>Current liabilities</b>			
Trade and other payables	18	1,074,998	704,317
Accrued mark-up		108	29
Unclaimed dividend		4,134	3,931
Unpaid dividend		404,348	355,658
Current portion of lease liabilities	15	7,753	7,362
Taxation - net		71,746	112,607
		<u>1,563,087</u>	<u>1,183,904</u>
<b>Total liabilities</b>		<u>1,770,364</u>	<u>1,416,649</u>
Contingencies and commitments	20		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>8,907,967</u>	<u>8,137,349</u>

The annexed notes 1 to 39 form an integral part of these financial statements.

  
Imran Qureshi  
Chief Executive Officer

  
Babar Aijaz  
Chief Financial Officer

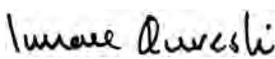
  
Jamal Nasim  
Director

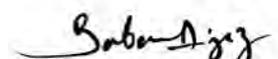
# STATEMENT OF PROFIT OR LOSS

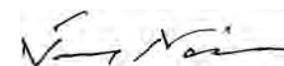
For the year ended 30 June 2022

		2022	2021
	Note	(Rupees in '000)	
Sales - net	21	5,147,258	5,001,692
Cost of sales	22	(3,497,559)	(3,118,847)
<b>Gross profit</b>		<b>1,649,699</b>	<b>1,882,845</b>
Administrative expenses	23	(349,673)	(316,901)
Other income	24	373,994	590,051
Other expenses	25	(271,795)	(156,234)
Finance costs	26	(4,482)	(3,586)
<b>Profit before taxation</b>		<b>1,397,743</b>	<b>1,996,175</b>
Taxation - net	27	(448,754)	(537,730)
<b>Profit after taxation</b>		<b>948,989</b>	<b>1,458,445</b>
		------(Rupees)-----	
<b>Earnings per share - basic and diluted</b>	28	<b>16.02</b>	<b>24.61</b>

The annexed notes 1 to 39 form an integral part of these financial statements.

  
 Imran Qureshi  
 Chief Executive Officer

  
 Babar Aijaz  
 Chief Financial Officer

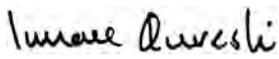
  
 Jamal Nasim  
 Director

# STATEMENT OF COMPREHENSIVE INCOME

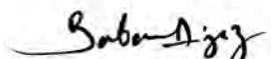
For the year ended 30 June 2022

	Note	2022 (Rupees in '000)	2021
Profit after taxation		948,989	1,458,445
Other comprehensive income			
<b>Item that will not be reclassified to profit or loss</b>			
Remeasurement gain on defined benefit plan	29.1.3	1,218	5,893
<b>Total comprehensive income for the year</b>		<u>950,207</u>	<u>1,464,338</u>

The annexed notes 1 to 39 form an integral part of these financial statements.



Imran Qureshi  
Chief Executive Officer



Babar Aijaz  
Chief Financial Officer



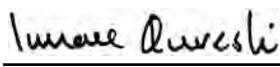
Jamal Nasim  
Director

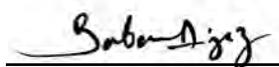
# STATEMENT OF CHANGES IN EQUITY

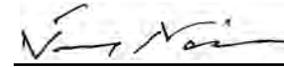
## For the year ended 30 June 2022

	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 2020	592,559	4,217,879	979,228	5,197,107	5,789,666
Total comprehensive income for the year ended 30 June 2021					
Profit for the year	-	-	1,458,445	1,458,445	1,458,445
Other comprehensive income	-	-	5,893	5,893	5,893
			1,464,338	1,464,338	1,464,338
Transactions with owners:					
Final cash dividend @ Rs. 9.00 per ordinary share for the year ended 30 June 2020	-	-	(533,304)	(533,304)	(533,304)
Transfer to general reserves	-	445,920	(445,920)	-	-
Balance as at 30 June 2021	592,559	4,663,799	1,464,342	6,128,141	6,720,700
Total comprehensive income for the year ended 30 June 2022					
Profit for the year	-	-	948,989	948,989	948,989
Other comprehensive income	-	-	1,218	1,218	1,218
			950,207	950,207	950,207
Transactions with owners:					
Final cash dividend @ Rs. 9.00 per ordinary share for the year ended 30 June 2021	-	-	(533,304)	(533,304)	(533,304)
Transfer to general reserves	-	931,038	931,038	-	-
Balance as at 30 June 2022	592,559	5,594,837	950,207	6,545,044	7,137,603

The annexed notes 1 to 39 form an integral part of these financial statements.

  
Imran Qureshi  
Chief Executive Officer

  
Babar Aijaz  
Chief Financial Officer

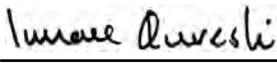
  
Jamal Nasim  
Director

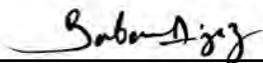
# STATEMENT OF CASH FLOWS

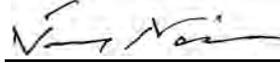
## For the year ended 30 June 2022

	Note	2022 (Rupees in '000)	2021
<b>Cash flows from operating activities</b>			
Cash generated from operations	33	1,728,585	1,195,722
Lease deposits paid		(166)	(312)
Taxes paid		(521,193)	(471,438)
Staff retirement benefits paid	29.1.3	(19,957)	(26,999)
Finance costs paid		(2,058)	(1,686)
Net cash generated from operating activities		1,185,211	695,287
<b>Cash flows from investing activities</b>			
Capital expenditure		(142,371)	(337,197)
Acquisition of intangible assets		(312)	(510)
Proceeds from sale of operating fixed assets	4.1.4	1,858	2,316
Investments made during the year		(7,306,670)	(2,455,072)
Investments matured / redeemed during the year		6,674,851	2,274,787
Dividend received on mutual fund		1,113	7,799
Mark-up received		187,329	224,005
Net cash used in investing activities		(584,202)	(283,872)
<b>Cash flows from financing activities</b>			
Payments of lease liabilities	15	(10,519)	(9,461)
Dividend paid		(484,411)	(433,790)
Net cash used in financing activities		(494,930)	(443,251)
Net increase / (decrease) in cash and cash equivalents		106,079	(31,836)
Cash and bank balance at beginning of the year		652,103	683,939
Cash and bank balance at end of the year	13	758,182	652,103

The annexed notes 1 to 39 form an integral part of these financial statements.

  
Imran Qureshi  
Chief Executive Officer

  
Babar Aijaz  
Chief Financial Officer

  
Jamal Nasim  
Director

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

### 1. STATUS AND NATURE OF BUSINESS

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 the manufacturing and sale of specialised paper for banknote and non-bank note security documents.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFASs) issued by Institute of Chartered Accountant of Pakistan as are notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards or IFASs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

#### 2.2 Functional and presentation currency

The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistani Rupees has been rounded off to the nearest thousand of rupees, unless otherwise stated.

#### 2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain investments which are carried at fair value and the Company's liability under defined benefit plan (gratuity) which is measured based on present value of defined benefit obligation.

#### 2.4 Use of Estimates and Judgments

In preparing these financial statements, management has made judgment, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates is recognized prospectively. Information about judgments made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements is included in the following notes.

- Property, plant and equipment (refer note 3.1)
- Impairment (refer note 3.3 and 3.7)
- Investments (refer note 3.5)
- Stores, spares and loose tools and stock-in-trade (refer note 3.12 and 3.13)
- Provisions (refer note 3.15)
- Employees' retirement benefits (refer note 3.16)
- Taxation (refer note 3.21)
- Contingencies (refer note 20)

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

### 2.5 New or Amendments / Interpretations to Existing Standards, Interpretations

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 1 July 2022 that are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not stated in these financial statements.

#### 2.5.1 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 July 01, 2022:

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after January 01, 2022 clarifies that the 'cost of fulfilling a contract' for the purposes of the onerous contract assessment comprises the costs that relate directly to the contract, including both the incremental costs and an allocation of other direct costs to fulfil the contract. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after January 01, 2022:
  - IFRS 9 - The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 percent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
  - IFRS 16 - The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
  - IAS 41 - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. The amendment enables the fair value measurement of biological assets on a post-tax basis.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after January 01, 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g., when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 01, 2022.
- Classification of liabilities as current or non-current (Amendments to IAS 1) apply retrospectively for the annual periods beginning on or after January 01, 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified as 'current'. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity's expectation and discretion at the reporting date a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) - the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.
- The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after January 01, 2023 with earlier application permitted.
- Definition of Accounting Estimates (Amendments to IAS 8) introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after January 01, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a Decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after January 01, 2023 with earlier application permitted.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) - The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies consistently applied in the preparation of these financial statements are the same as those applied in earlier periods presented.

#### 3.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses (if any), except for capital work-in-progress, leasehold and freehold land which are stated at cost less accumulated impairment losses (if any).

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

The value assigned to the leasehold land is not depreciated as leases are expected to be renewed for further periods on payment of relevant rentals.

Depreciation on all items is charged using the straight line method in accordance with the rates specified in note 5.1 to these financial statements and after taking into account residual values, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

Depreciation on additions is charged from the month in which the assets become available for use, while no depreciation is charged in the month of disposal.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Repairs and maintenance are charged to statement of profit or loss in the period in which it is incurred.

Gains or losses on disposal of property, plant and equipment, if any are taken to statement of profit or loss in the period in which they arise.

#### Capital work-in-progress

These are stated at cost less accumulated impairment losses, if any, all expenditure connected with specific assets incurred and advances made during installation and construction period are carried under this head. These are transferred to relevant asset category as and when the assets are available for intended use.

#### 3.2 Intangible assets

Intangible assets having definite useful life are stated at cost less accumulated amortization and impairment losses, if any however, Intangible assets having indefinite life are stated at cost less impairment losses, if any.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

Subsequent cost is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortization is charged to the statement of profit or loss on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalized while no amortization is charged in the month in which the asset is disposed off.

All intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Where the carrying amount of an asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount. The carrying amount of other intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists than the assets recoverable amount is estimated. The recoverable amount is the greater of its value and fair value less cost to sell.

### 3.3 Impairment of non-financial assets

The carrying amounts of the Company's non financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount, being higher of value in use and fair value less costs to sell, is estimated. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss.

### 3.4 Financial assets

#### Initial Measurement

The Company classifies its financial assets into following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

#### Subsequent Measurement

**Debt Investments at FVOCI** These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Other net gains and losses are recognized in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

**Equity Investments FVOCI** These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the statement of profit or loss.

**Financial assets FVOCI** These assets are subsequently measured at fair value. Net gains and losses, including any interest at markup or dividend income, are recognized in statement of profit or loss

**Financial assets** These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.

### 3.5 Investments

- Investments in Pakistan Investment Bond (PIBs) and treasury bills are classified at amortized cost and are initially measured at fair value. Transaction costs directly attributable to the acquisition are included in the carrying amount. Subsequently these investments are measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / markup income, losses and impairment are recognized in the statement of profit or loss.
- Investment in Units of Mutual Funds are classified at fair value through profit or loss and is initially measured at fair value and subsequently is measured at fair value determined using the net assets value of the funds at each reporting date. Net gains and losses are recognized in the statement of profit or loss.

### 3.6 Trade Debts, loans, deposits, interest accrued and other receivables

- These are classified at amortized cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

### 3.7 Impairment of financial assets

The Company recognises loss allowances for ECLs in respect of financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balance for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis,

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

### 3.8 De-recognition

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

### 3.9 Financial liabilities

Financial liabilities are classified as measured 'at amortized cost' or 'at fair value through profit or loss' (FVTPL). A financial liability is classified at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on de-recognition is also recognized in the statement of profit or loss.

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

### 3.10 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and measured at amortized cost.

### 3.11 Mark-up bearing borrowings and borrowing costs

Mark-up bearing borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

Borrowing costs are recognised as an expense in the period in which these are incurred, except to the extent that they are directly attributable to the acquisition or construction of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) in which case these are capitalised as part of cost of that asset.

### 3.12 Stores, spare parts and loose tools

These are valued at lower of weighted average cost or net realisable value less impairment loss, if any. Items in transit are valued at cost comprising invoice value and other charges incurred thereon.

Provision for obsolete and slow moving stores, spare parts and loose tools is determined based on management's estimate regarding their future usability.

### 3.13 Stock-in-trade

Raw materials are valued at the lower of weighted average cost or net realisable value less impairment loss, if any, except for items in transit which are stated at cost incurred to date. Cost comprises of all costs of purchases, cost of conversion and other costs incurred in bringing the inventories to present location and condition.

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

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

### 3.14 Cash and cash equivalents

Cash and cash equivalents comprise of cash balances, call deposits and investments with maturities of less than three months or less, from acquisition date that are subject to insignificant risk of changes in fair value. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management, which are included as a component of cash and cash equivalents for the purpose of cash flow statement.

### 3.15 Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the outflow can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

### 3.16 Employees' retirement benefits

#### Defined benefit plan

The Company operates an approved funded gratuity scheme for all permanent employees. The Company's obligation under the scheme is determined through actuarial valuation carried out at each year end under the Projected Unit Credit Method. Remeasurements which comprises of actuarial gains and losses are recognized immediately in the statement of comprehensive income with no subsequent transfer to statement of profit or loss. The latest actuarial valuation was conducted at the reporting date by a qualified professional firm of actuaries.

#### Defined contribution plan

The Company operates an approved contributory Provident Fund for all eligible employees. Contributions are made equally by the Company and employees at the rate of 6.451% of gross salary; and Employee retirement benefits are payable to eligible employees on completion of the prescribed qualifying period of service under these funds.

### 3.17 Employees' compensated absences

The Company accounts for all accumulated compensated absences when employees render services that increase their entitlement to future compensated absences.

### 3.18 Leases

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.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

### 3.19 Asset held under Ijarah financing

Assets held under Ijarah financing are accounted for using the guidelines of Islamic Financial Accounting Standard-2 (IFAS 2), "Ijarah". The assets are not recognized on the Company's statement of financial position and payments made under Ijarah financing are recognized in the statement of profit or loss on a straight line basis over the term of the Ijarah.

### 3.20 Revenue recognition

- Revenue is measured based on the consideration specified in a contract with a customer. Revenue from operations of the Company are recognized when the goods are provided, and thereby the performance obligations are satisfied. Revenue consists of sale of specialised paper for banknote and non-banknote security documents. The Company's contract performance obligations are fulfilled at the point in time when the goods are dispatched to the customer. Invoices are generated and revenue is recognised at that point in time, as the control has been transferred to the customers. Revenue is measured at fair value of the consideration received or receivable, excluding amount of sales tax. No discounts are provided for any product. The Company assesses its revenue arrangements against specific criteria that must be met before revenue is recognised:
- Return on bank deposits is recognised using the effective interest method.
- Dividend income is recognised in the statement of profit or loss on the date on which the Company's right to receive the dividend is established.

### 3.21 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in the statement of profit or loss, except to the extent that it relates to items recognised directly in equity or in statement of comprehensive income, in which case it is recognised in equity or in the statement of comprehensive income, respectively.

#### Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, in accordance with the provisions of the Income Tax Ordinance, 2001. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

#### Deferred

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted at the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

### 3.22 Foreign currency transactions and translations

Transactions in foreign currencies are accounted for in Pakistani Rupees at the foreign exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are re-translated into rupees at the foreign exchange rates approximating those prevailing at the reporting date. Exchange differences, if any, are charged in statement of profit or loss.

### 3.23 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amount and the Company intends to either settle on a net basis, or to realize the asset and settle the liabilities simultaneously.

### 3.24 Earnings per share

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

### 3.25 Dividend and appropriations

Dividend distribution to the Company's shareholders and appropriations to / from reserves are recognised in the period in which they are approved.

## 4. PROPERTY, PLANT AND EQUIPMENT

		2022	2021
	Note	(Rupees in'000)	
Operating fixed assets	4.1	1,749,553	1,712,277
Capital work-in-progress	4.2	35,849	155,965
		<u>1,785,402</u>	<u>1,868,242</u>

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

### 4.1 The following is a statement of Company's operating fixed assets:

	2022												Total	Right of use assets (note 3.18)
	Land		Building on		Plant and Machinery	Spare Parts and stand-by equipment	Laboratory equipment	Furniture and fittings	Electric water and gas installation	Office and security equipment	Computers and Computer accessories	Motor Vehicle Owned		
	Lease-hold	Free-hold	Lease-hold Land	Free-hold Land										
----- (Rupees in '000) -----														
At 1 July 2021														
Cost	417	293	1,015	233,133	3,586,263	103,721	53,315	16,767	334,588	89,011	23,788	7,584	4,449,895	41,321
Accumulated depreciation	-	-	(1,012)	(57,037)	(2,339,923)	(83,609)	(37,275)	(7,958)	(140,603)	(46,575)	(18,122)	(5,504)	(2,737,618)	(19,693)
Opening net book value	417	293	3	176,096	1,246,340	20,112	16,040	8,809	193,985	42,436	5,666	2,080	1,712,277	21,628
During the year														
Additions	-	-	-	1,494	51,646	13,006	1,649	782	8,414	4,322	5,812	1,522	88,647	6,023
Transfers from CWIP	-	-	-	5,306	145,688	-	-	-	19,126	345	-	-	170,465	3,375
	-	-	-	6,800	197,334	13,006	1,649	782	27,540	4,667	5,812	1,522	259,112	9,398
Transferred from right of use asset to owned														
Cost	-	-	-	-	-	-	-	-	-	-	-	4,497	4,497	(4,497)
depreciation	-	-	-	-	-	-	-	-	-	-	-	(4,497)	(4,497)	4,497
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals														
Cost	-	-	-	-	-	-	(830)	-	-	-	-	(163)	(993)	(4,574)
depreciation	-	-	-	-	-	-	750	-	-	-	-	162	912	3,634
	-	-	-	-	-	-	(80)	-	-	-	-	(1)	(81)	(940)
Depreciation charge for the year														
	-	-	-	(7,592)	(170,236)	(9,116)	(2,795)	(942)	(19,143)	(7,788)	(3,257)	(886)	(221,755)	(7,892)
Closing net book value	417	293	3	175,304	1,273,438	24,002	14,814	8,649	202,382	39,315	8,221	2,715	1,749,553	22,194
At 30 June 2022														
Cost	417	293	1,015	239,933	3,783,597	116,727	54,134	17,549	362,128	93,678	29,600	13,440	4,712,511	41,648
Accumulated depreciation	-	-	(1,012)	(64,629)	(2,510,159)	(92,725)	(39,320)	(8,900)	(159,746)	(54,363)	(21,379)	(10,725)	(2,962,958)	(19,454)
Closing net book value	417	293	3	175,304	1,273,438	24,002	14,814	8,649	202,382	39,315	8,221	2,715	1,749,553	22,194
Depreciation rate % per annum														
	-	-	20%	33.33%	50%	25%	50%	6%	50%	15%	25%	20%		20%

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

### 4.1 The following is a statement of Company's operating fixed assets:

	2021													Total	Right of use assets (note 3.18)	
	Land Lease-hold	Land Free-hold	Building on Lease-hold Land	Building on Free-hold Land	Plant and Machinery	Spare Parts and stand-by equipment	Laboratory equipment	Furniture and fittings	Electric water and gas installation	Office and security equipment	Computers and Computer accessories	Motor Vehicle Owned				
(Rupees in '000)																
At 1 July 2020																
Cost	417	293	1,015	188,735	3,222,334	94,581	48,462	16,183	309,845	55,501	21,626	7,848	3,966,840	46,451		
Accumulated depreciation	-	-	(1,012)	(49,612)	(2,189,778)	(76,732)	(34,362)	(7,054)	(123,286)	(43,195)	(16,613)	(5,076)	(2,546,720)	(20,569)		
Opening net book value	417	293	3	139,123	1,032,556	17,849	14,100	9,129	186,559	12,306	5,013	2,772	1,420,120	25,882		
During the year																
Additions -	-	-	-	1,526	29,325	9,140	4,853	584	8,695	1,672	2,718	29	58,542	4,437		
Transfers from CWIP	-	-	-	42,872	334,604	-	-	-	16,048	31,838	-	-	425,362	-		
	-	-	-	44,398	363,929	9,140	4,853	584	24,743	33,510	2,718	29	483,904	4,437		
Disposals																
Cost	-	-	-	-	-	-	-	-	-	-	(556)	(293)	(849)	(9,567)		
Depreciation	-	-	-	-	-	-	-	-	-	-	556	274	830	8,907		
	-	-	-	-	-	-	-	-	-	-	-	(19)	(19)	(660)		
Depreciation charge for the year	-	-	-	(7,425)	(150,145)	(6,877)	(2,913)	(904)	(17,317)	(3,380)	(2,065)	(702)	(191,728)	(8,031)		
Closing net book value	417	293	3	176,096	1,246,340	20,112	16,040	8,809	193,985	42,436	5,666	2,080	1,712,277	21,628		
At 30 June 2021																
Cost	417	293	1,015	233,133	3,586,263	103,721	53,315	16,767	334,588	89,011	23,788	7,584	4,449,895	41,321		
Accumulated depreciation	-	-	(1,012)	(57,037)	(2,339,923)	(83,609)	(37,275)	(7,958)	(140,603)	(46,575)	(18,122)	(5,504)	(2,737,618)	(19,693)		
Closing net book value	417	293	3	176,096	1,246,340	20,112	16,040	8,809	193,985	42,436	5,666	2,080	1,712,277	21,628		
Depreciation rate % per annum	-	-	20%	33.33%	6%	25%	50%	6%	50%	15%	25%	20%		20%		

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

	Note	2022 (Rupees in '000)	2021
<b>4.1.1 The depreciation charge for the year has been allocated as follows:</b>			
Cost of sales	22	216,660	187,743
Administrative expenses	23	12,987	12,016
		<u>229,647</u>	<u>199,759</u>

4.1.2 Operating fixed assets include assets costing Rs. 596.819 million (2021: Rs. 534.526 million), which are fully depreciated.

4.1.3 Free hold land of the Company and building thereon, is situated at Jinnah Avenue, Malir Halt Karachi. This comprises of two parcels of land having area of 20 acres and 60 square yards. The Company also holds lease-hold land having area of 1,193 square yards and building thereon, situated at Plot No: 25-B, Central Avenue, Phase II, DHA Karachi.

4.1.4 Details of property, plant and equipment and right-of-use assets disposed off during the year is as follows:

Note	Cost	Accumulated depreciation	Net book value	Sales proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers
----- (Rupees in '000) -----							
<b>Vehicles</b>							
	2,150	1,251	899	1,463	564	Company's policy	"Mr. Faisal Saeed (employee)"
Others	3,417	3,294	123	395	272	Various	Various
2022	<u>5,567</u>	<u>4,545</u>	<u>1,022</u>	<u>1,858</u>	<u>836</u>		
2021	<u>10,415</u>	<u>9,737</u>	<u>678</u>	<u>2,316</u>	<u>1,638</u>		

4.1.4.1 This includes assets having net book value of less than Rs. 500,000. These Disposals were made in accordance with the Company's policy.

### 4.2 Capital work-in-progress

	2022 (Rupees in '000)	2021
Building	31,152	5,128
Plant and machinery	4,563	132,757
Electrical installation	134	14,360
Security equipment	-	345
Vehicle	-	3,375
	<u>35,849</u>	<u>155,965</u>
The movement in capital work-in-progress is as follows:		
Balance at the beginning of the year	155,965	299,297
Additions made during the year:		
- Plant and machinery	17,494	224,420
- Building	31,330	15,614
- Water installation	-	10,794
- Electrical installation	4,900	4,888
- Security equipment	-	22,940
- Vehicle	-	3,375
	<u>53,724</u>	<u>282,031</u>

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

	Note	2022 (Rupees in '000)	2021
Transfer to operating fixed assets:			
- Plant and machinery		(145,688)	(334,604)
- Building		(5,306)	(42,872)
- Water installation		-	(13,044)
- Electrical installation		(19,126)	(3,005)
- Security equipment		(345)	(31,838)
		(170,465)	(425,363)
Transfer to right of use assets:			
- Vehicle		(3,375)	-
Balance at the end of the year		<u>35,849</u>	<u>155,965</u>
<b>5. INTANGIBLE ASSETS</b>			
Net book value as at 1 July		18,133	20,206
Additions		312	510
Amortization	23	(2,590)	(2,583)
Net book value as at 30 June		<u>15,855</u>	<u>18,133</u>
Gross carrying value as at 30 June			
Cost		23,110	22,798
Accumulated amortization		(7,255)	(4,665)
Net book value		<u>15,855</u>	<u>18,133</u>
Amortization rate (% per annum)		<u>10% - 50%</u>	<u>10% - 50%</u>
<b>6. LONG-TERM INVESTMENTS</b>			
Amortised cost			
Pakistan Investment Bonds (PIBs)	6.1	1,319,659	1,321,783
Less: PIBs with current maturity	12.2	(138,704)	(429,240)
		<u>1,180,955</u>	<u>892,543</u>

6.1 These represents investments in Pakistan Investment Bonds (PIBs) carrying floating and fixed profit at the rate ranging from 11.54% to 15.45% (2021: 7.67% - 13.69%) with maturities in June 2023, September 2024, May 2028, June 2028 and August 2028 (2021: July 2021, September 2024, May 2028, June 2028 and August 2028). The profit payments are made quarterly and semi annually.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

	Note	2022 (Rupees in '000)	2021
<b>7. STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores		17,249	20,452
Spares - in hand		187,003	185,141
- in transit		20,793	5,283
Loose tools		810	1,022
		<u>225,855</u>	<u>211,898</u>
Provision for slow moving stores, spare parts and loose tools	7.1	(11,243)	(10,900)
		<u>214,612</u>	<u>200,998</u>
<b>7.1 Provision for slow moving stores, spare parts and loose tools</b>			
Opening balance		10,900	10,322
Provision made during the year	22	343	578
		<u>11,243</u>	<u>10,900</u>
<b>8. STOCK-IN-TRADE</b>			
Raw materials - in hand		453,892	375,116
- in transit		2,754	11,929
	22	<u>456,646</u>	<u>387,045</u>
Slow moving raw material written off	22	(130)	-
Provision for slow moving raw materials	8.1	(5,063)	(5,063)
Work-in-process	22	74,155	149,263
Finished goods	22	37,261	24,781
Provision for slow moving finished goods	8.2	(2,105)	(2,105)
		<u>35,156</u>	<u>22,676</u>
		<u>560,764</u>	<u>553,921</u>
<b>8.1 Provision for slow moving raw materials</b>			
Opening balance		5,063	5,024
Provision made during the year	22	-	39
		<u>5,063</u>	<u>5,063</u>
<b>8.2 Provision for slow moving finished goods</b>			
Opening balance		2,105	3,264
Reversal made during the year	22	-	(1,159)
		<u>2,105</u>	<u>2,105</u>
<b>9. TRADE DEBTS - considered good</b>			
Unsecured - considered good			
Due from Pakistan Security Printing Corporation (Pvt.) Limited - related party	9.1&9.2	586,551	621,366
Due from others		250,938	190,887
		<u>837,489</u>	<u>812,253</u>

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2022

9.1 The maximum amount due from the related party, Pakistan Security Printing Corporation (Private) Limited, at the end of any month during the year was Rs.805.644 million (2021: Rs. 699.91 million).

	Note	2022 (Rupees in '000)	2021
9.2 The aging of trade debts due from related party as at 30 June is as follows:			
Neither past due nor impaired		586,551	555,995
Past due but not impaired			
31-60 Days		-	65,371
		<u>586,551</u>	<u>621,366</u>
<b>10. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advance to suppliers - unsecured, considered good		36,160	24,721
Short-term prepayments		1,707	2,034
Short-term deposits	10.1	1,989	993
LCs margin	10.1	46,194	38,021
Utilities deposits		12,178	12,526
Loan to employees - considered good		185	679
Workers' profit participation fund	10.2	15,340	-
Income tax	27.4	5,360	-
Others		774	810
		<u>119,887</u>	<u>79,784</u>

10.1 This represents interest free deposits held with service providers and against letter of credits issued by a commercial bank.

	Note	2022 (Rupees in '000)	2021
10.2 <b>Workers' profit participation fund</b>			
Balance as at 1 July		(6,801)	1,712
Allocation for the year	25	(74,965)	(106,801)
Paid during the year - net		97,106	98,288
		<u>15,340</u>	<u>(6,801)</u>
<b>11. INTEREST ACCRUED</b>			
Pakistan Investment Bonds (PIBs)		30,442	31,061
Deposit and saving accounts		15	6
		<u>30,457</u>	<u>31,067</u>

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

	Note	2022 (Rupees in '000)	2021
<b>12. SHORT TERM INVESTMENTS</b>			
Amortised cost			
Treasury bills	12.1	2,436,276	1,445,109
Pakistan Investment Bonds - current maturity	12.2	138,704	429,240
<b>Fair value through profit or loss - FVTPL</b>			
Units of mutual funds	12.3	802,254	1,127,558
		<u>3,377,234</u>	<u>3,001,907</u>

**12.1** This represents investment in treasury bills of three months and six months carrying profit ranging from 10.63% to 14.71% (2021:7.43% to 7.75%).

**12.2** These represent investments in 3 years Pakistan Investment Bonds (PIBs) carrying floating profit at the rate of 10.54% to 14.61% (30 June 2021: 12.05% to 13.69%) with maturities in June 2023. The profit payments are made quarterly and semi-annually.

**12.3** Investments in units of mutual funds are as follows:

2022 (Units)	2021	Name of Investee Company	Note	2022 (Rupees in '000)	2021
44,524,829	44,524,829	NBP Islamic Stock Fund		472,226	567,024
5,191,107	5,191,107	Meezan Islamic Fund		291,904	328,992
-	8,250,665	Meezan Balance Fund		-	133,662
4,938,442	4,838,347	NIT Islamic Equity Fund		38,124	46,835
-	1,095,110	Meezan Strategic Allocation Plan-I		-	51,045
				<u>802,254</u>	<u>1,127,558</u>

### 13. CASH AND BANK BALANCES

Cash in hand				39	100
With banks:					
- Current accounts				285	169
- Deposit accounts			13.1	477,428	446,782
- Saving accounts			13.2	280,430	205,052
				<u>758,143</u>	<u>652,003</u>
				<u>758,182</u>	<u>652,103</u>

**13.1** Deposit account carry profit rate at 12.25% to 13% (2021: 6.60%)

**13.2** Saving accounts carry profit rates ranging from 6.50% to 12.25% per annum (2021: 5.50% to 7.50% per annum).

### 14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2022 (Number of shares)	2021		2022 (Rupees in '000)	2021
1,250,000	1,250,000	Ordinary shares fully paid in cash	12,500	12,500
<u>58,005,985</u>	<u>58,005,985</u>	Ordinary shares issued as fully paid bonus shares	<u>580,059</u>	<u>580,059</u>
<u>59,255,985</u>	<u>59,255,985</u>		<u>592,559</u>	<u>592,559</u>

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2022

14.1 The following shares are held by the related parties of the Company:

Name of related party	2022		2021	
	Shares held	Percentage	Shares held	Percentage
Pakistan Security Printing Corporation (Private) Limited	23,721,739	40.03%	23,721,739	40.03%
Sumer Holding A.S.	5,925,564	10.00%	5,925,564	10.00%
Industrial Development & Renovation Organisation	5,925,564	10.00%	5,925,564	10.00%

15. LEASE LIABILITIES	Note	2022	2021
		(Rupees in '000)	
As at 1 July		26,686	26,689
Additions		6,143	7,812
Interest expense relating to lease liabilities	26	2,345	2,230
Payments		(10,519)	(9,461)
Disposals		(457)	(584)
As at June 30		<u>24,198</u>	<u>26,686</u>
Current		7,753	7,362
Non-current		16,445	19,324
		<u>24,198</u>	<u>26,686</u>

#### 15.1 Maturity analysis of lease liabilities

	2022			2021		
	Minimum lease payments	Finance charge	Present value of minimum lease payments	Minimum lease payments	Finance charge	Present value of minimum lease payments
	----- (Rupees in '000) -----					
Not later than one year	9,594	1,841	7,753	9,203	1,841	7,362
Later than one year and not later than five years	18,421	1,976	16,445	21,300	1,976	19,324
	<u>28,015</u>	<u>3,817</u>	<u>24,198</u>	<u>30,503</u>	<u>3,817</u>	<u>26,686</u>

The above represents finance leases entered into with financial institutions for lease of motor vehicles. The liability under the agreement is payable latest by March 2027 in monthly instalments and is subject to annual finance charge rates ranging from 11.99% to 16.43% (2021: 7.6% to 14.5%). The arrangement is secured by 10% security deposit and vehicles are registered and comprehensively insured in the name of Bank AL Habib. As at 30 June 2022, the Company has auto lease finance facility from Bank AL-Habib Limited amounting to Rs. 50 million (2021: Rs. 50 million)

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

	Note	2022 (Rupees in '000)	2021
<b>16. STAFF RETIREMENT BENEFITS</b>			
Employee's Retirement Benefit (Funded Scheme)	29.1.2	25,256	19,682
Contractual Staff Retirement Benefit (Unfunded Scheme)	16.1	8,924	5,509
		<u>34,180</u>	<u>25,191</u>

16.1 This represents retirement benefits to Chief Executive Officer, Company Secretary and Head of Internal Audit of the Company under employment terms.

### 17. DEFERRED TAXATION - Net

	Note	2022 (Rupees in '000)	2021
<b>Deferred tax liabilities on taxable temporary differences:</b>			
Accelerated tax depreciation		225,786	228,839
<b>Deferred tax asset on deductible temporary differences:</b>			
Provision for slow moving inventory, unfunded terminal benefits and fire tax		(20,096)	(18,784)
Amortisation of Pakistan Investment Bond (PIBs)		1,518	13,271
Loss on remeasurement of FVTPL investment		(49,922)	(34,555)
Leased liability net of leased assets		(634)	(541)
		<u>(69,134)</u>	<u>(40,609)</u>
		<u>156,652</u>	<u>188,230</u>

### 18. TRADE AND OTHER PAYABLES

Creditors		110,071	77,390
Payable against purchase of operating fixed assets		46,023	102,112
Salaries, wages and benefits payable	18.1	80,683	107,975
Accrued employees' compensated absences	18.2	71,573	71,301
Retention money Payable		7,266	7,510
Withholding tax payable		83,601	65,989
Sales tax payable		44,692	57,956
Provision for fire tax	18.3	37,023	37,023
Workers' welfare fund	18.4	39,098	46,263
Utilities		39,340	49,827
Payable to a related party	18.5	71,638	18,988
Deposits	18.6	11,413	11,288
Payable to contractors		29,155	26,905
Payable to Workers' Profit Participation Fund	10.2	-	6,801
Contract liabilities	18.7	390,482	658
Others		12,940	16,331
		<u>1,074,998</u>	<u>704,317</u>

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2022

18.1 Includes herein bonus payables amounting to Rs. 63.426 million (2021: Rs.96.009 million).

18.2 Accrued employees' compensated absences

	Note	2022 (Rupees in '000)	2021
Balance at beginning of the year		71,301	70,992
Charge for the year - Net		272	309
Balance at end of the year		<u>71,573</u>	<u>71,301</u>

#### 18.3 Provision for fire tax

The Karachi Metropolitan Corporation (KMC) vide notification no.FB/DCFO/ENH-F.T-81/2001 dated 23 May 2001 changed the basis of charging Fire Tax and specified that this tax should be charged on the basis of water consumed. Previously, the fire tax was being levied on the basis of net annual rental value of the property as part of the property tax. The company has filed a constitutional petition before the Honourable High Court of Sindh, Karachi challenging the above notification which is still pending. As a matter of abundant caution and without prejudice to the Company's contention in appeal, the management has made provision in respect of the above tax covering the period from 2003 to 2011.

#### 18.4 Workers' welfare fund

	Note	2022 (Rupees in '000)	2021
Balance as at 1 July		46,263	49,857
Provision for the year	25	25,835	33,092
Prior year (reversal)		-	(52)
Payments during the year		(33,000)	(36,634)
Balance as at 30 June		<u>39,098</u>	<u>46,263</u>

18.5 This amount belongs to Pakistan Security Printing Corporation (Pvt) Limited.

18.6 These represent interest free security deposits received from various contractors / suppliers. The amount received have been utilised for purpose of the business in accordance with the written agreements with them. An amount of Rs. 0.062 million has been kept in a separate bank account.

18.7 During the year, the Company has received advance from Election Commission of Pakistan (ECP) for supply of Special Watermarked ballott paper for Financial Year 2022-23.

#### 19. SHORT TERM FINANCE AND OTHER FACILITIES

##### 19.1 Running finance

The Company has a running finance facility from Bank Al Habib Limited (BAHL) amounting to Rs. 200 million (2021: Rs. 200 million). The arrangement from BAHL is secured by lien over PIBs of Rs. 400 million. The outstanding balance

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

amounted to Rs. Nil (2021: Rs. Nil million) against this facility is subject to mark-up at the rate 3 months average KIBOR to be determined on first working day of each calendar quarter. The facility remained unutilised as at 30 June 2022.

The Company has running finance facility from National Bank of Pakistan (NBP) amounting to Rs.100 million (2021: Rs 100 million) . The arrangement from NBP is secured by first pari passu hypothecation charge over stores, spares, loose tools stock-in-trade and book debts of the Company with 35% margin amounting to Rs. 154 million and are available till 31 December 2022. The outstanding balance against this facility will be subject to mark-up at the rate prevailing on the last working day of each preceding month for the end of each calendar quarter Karachi Inter Bank Offered Rate (KIBOR - one month) plus 1.25 basis points (2021: one month's Karachi Inter Bank Offered Rate (KIBOR) plus 1.25 basis points. The facility remained unutilised as at 30 June 2022.

### 19.2 Running Musharakah

The Company has arrangement of running musharka facility of Rs. 200 million from Meezan Bank Limited (2021: Rs. 200 million). The arrangement is secured by first pari passu hypothecation charge created over stocks and receivables of the Company with 25% margin amounting to Rs. 266.67 million in favour of the bank till 30 September 2022. Musharka profit would be determined on the basis of audited / interim accounts. Provisional profit would be paid quarterly using KIBOR of first working day / first disbursement date and average musharakah facility availed to calculate the target profit plus profit above ceiling amount, if any, would be shared with the ratio 0.001% for Meezan Bank Limited and 99.999% for Security Papers Limited on the basis of annual accounts. The facility remained unutilised as at 30 June 2022.

## 20. CONTINGENCIES AND COMMITMENTS

### 20.1 Contingencies

	Note	2022 (Rupees in '000)	2021
Claims against the Company not acknowledged as debt	20.1.1	1,120	1,120
Sales Tax on Services	20.1.2	4,163	4,163
Income Tax Demand	27.4	8,237	53,595
Claim by Contractor	20.1.3	177,880	-

20.1.1 This represents claims filed by certain ex-employees against the Company.

20.1.2 Assistant Commissioner (AC), Sindh Revenue Board (SRB) had passed an order No: 450/2014 dated August 5, 2014 for payment of Sales Tax on Services for the years ended June 30, 2011, 2012 and 2013 on technical services received from M/s Sptec GmbH. AC had categorized the services under tariff heading 9823.0000 (Franchise Services). The Company had filed an appeal before the Commissioner (Appeals) Sindh Revenue Board who had passed an order No: 60/2015 dated February 24, 2015 and upheld the order of the Assistant Commissioner. The Company had filed an appeal before Appellate Tribunal of Sindh Revenue Board, who upheld the order of AC. The Company had filed Sindh Sales Tax Reference Application before the Honourable High Court of Sindh against the order of Appellate Tribunal of SRB which is still pending.

20.1.3 The Company had entered into an agreement with Aquatech Infrastructures Limited (AIL) for the development of an alternate source of water supply on Built, Operate and Transfer (BOT) basis on August 15, 2005 for a period of five

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2022

years from the date of commissioning. The agreement remained enforce through supplemental agreements signed in subsequent years.

Due to poor maintenance of Bores by AIL, the output of ground water reduced. AIL informed the Company to discontinue the contract as per the Clause-3 of Second Supplemental and suggested the Company to buy the Reverse Osmosis Plant (RO Plant). However, while the Company was addressing their concerns, AIL unilaterally decided to shut down the RO plant on March 2018. As a result, the Company took over the plant to continue its operations on its own in accordance with provisions of the agreement and pay for supply of water on prevailing rates after deducting actual expenses incurred for operation of the Plant.

The Company had also received letter from its financier Saudi Pak Leasing Company Limited (SPLC) in which they had informed that they are the owner of the RO Plant and asked that the Company should not allow AIL for the dismantling of R.O. Plant.

AIL filed suit against the Company before Sindh High Court (SHC) at Karachi, for recovery of Rs. 177.88 million in respect of RO Plant. The plaintiff has moved an application to restrain the Company from utilising or operating the RO Plant. The matter is at the stage of hearing of application.

Based on the facts of the case and legal advisor's advice, the Company is confident that the outcome of the case would be in favour of the Company.

20.1.4 Income Tax contingencies are disclosed in note 27 to the financial statements.

	Note	2022 (Rupees in '000)	2021
<b>20.2 Commitments</b>			
Ijarah financing	20.2.1	4,707	2,472
Commitments against letters of credit	20.2.2	245,375	48,443
Capital expenditure contracted for but not incurred		39,506	54,793

20.2.1 The Company has car ijarah facility from the Meezan Bank Limited amounting to Rs. 50 million (2021: Rs. 50 million) out of which Rs. 4.707 million (2021: Rs. 2.472 million) were utilised. The ownership of the cars are with Meezan bank Limited during the tenor of the facility of each vehicle. As per requirement of IFAS-2 Ijarah financing has been treated as an operating lease.

The total of future Ijarah payments under arrangement are as follows:

	2022	2021
	(Rupees in '000)	
Not later than one year	1,265	494
Later than one year and not later than five years	3,442	1,978
	4,707	2,472

#### 20.2.2 Import letter of credit (sight / usance)

Running finance facility from National Bank of Pakistan may also be used for import letters of credit (sight / usance) amounting to Rs. 100 million (2021: Rs. 100 million). The arrangement from National Bank of Pakistan is secured

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

by lien on documents of title of goods drawn under letter of credit. The Company has utilised Rs. Nil as at 30 June 2022.

The Company has facilities from the Bank Al Habib Limited (BAHL) relating to import letters of credit (sight / usance) amounting to Rs. 200 million (2021: Rs. 200 million). Besides, Rs 100 million (2021: Rs. 100) may also be used for import letter of credit as sub limit of running finance facility. The arrangement from BAHL is secured by lien over T-Bills and PIBs of Rs: 400 million, import documents consigned in favour of BAHL and counter guarantees. The Company has utilised Rs. 148 million as at 30 June 2022.

The Musharakah facility from Meezan Bank Limited would also be used for import letter of credit (sight / usance) amounting to Rs. 200 million. This arrangement is secured by lien over import documents. The Company has utilised Rs. 97.375 million as at 30 June 2022.

### 20.2.3 Letter of Guarantee Facility

As at 30 June 2022, the Company has facilities from National Bank of Pakistan, as sublimit of running finance facility and from Bank Al Habib Limited relating to letters of guarantee as follows:

	2022		2021	
	National Bank of Pakistan	Bank Al Habib Limited	National Bank of Pakistan	Bank Al Habib Limited
	----- (Rupees in '000) -----			
Total facility available	100,000	30,000	100,000	20,000
Utilised facility	64,087	19,287	36,534	19,287
			2022	2021
	Note		(Rupees in '000)	

### 21. SALES - NET

Banknote paper		5,031,987	4,937,722
Non-banknote paper:			
- Commercial paper		38,338	42,908
- Others		952,059	871,917
		990,397	914,825
	21.1	6,022,384	5,852,547
Sales tax		(875,126)	(850,855)
		5,147,258	5,001,692

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2022

21.1 Out of the above sales, the sales amounting to Rs. 5,167.763 million include sales tax of Rs. 750.87 million is made to Pakistan Security Printing Corporation (Private) Limited (PSPC), a related party. (2021: Rs. 4,971 million include sales tax of Rs. 722.3 million).

	Note	2022 (Rupees in '000)	2021
<b>22. COST OF SALES</b>			
Opening stock of raw materials		387,045	385,000
Add: Purchases - net		1,959,457	1,682,162
		<u>2,346,502</u>	<u>2,067,162</u>
Closing stock of raw materials	8	(456,646)	(387,045)
Raw materials consumed		1,889,856	1,680,117
Salaries, wages and benefits	22.1	390,332	380,442
Utilities		390,747	439,799
Depreciation	4.1.1	216,660	187,743
Manufacturing services		232,027	211,513
Stores, spares and loose tools consumed		177,486	124,455
Defence security force		50,387	44,262
Repairs and maintenance		49,432	45,293
Insurance		9,562	3,760
Rent, rates and taxes		973	778
Written off Slow moving raw material	8	130	-
Provision for slow moving raw materials	8.1	-	39
Provision / (reversal) for slow moving finished goods	8.2	-	(1,159)
Provision for slow moving Stores, spares & loose tools	7.1	343	578
Other expenses		26,996	22,872
		<u>3,434,931</u>	<u>3,140,492</u>
Opening stock of work-in-process		149,263	111,510
Closing stock of work-in-process	8	(74,155)	(149,263)
Cost of goods manufactured		<u>3,510,039</u>	<u>3,102,739</u>
Opening stock of finished goods		24,781	40,889
Closing stock of finished goods	8	(37,261)	(24,781)
		<u>3,497,559</u>	<u>3,118,847</u>

22.1 Salaries, wages and benefits include Rs. 34.123 million (2021: Rs. 33.205 million) in respect of employee retirement benefits.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

	Note	2022 (Rupees in '000)	2021
<b>23. ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and benefits	23.1	273,390	252,119
Repairs and maintenance		10,308	14,402
Depreciation	4.1.1	12,987	12,016
Legal and professional		10,804	7,016
Travelling expenses	23.2	7,391	1,729
Printing and stationery		4,350	4,872
Advertisement		3,531	3,119
Packing and forwarding		3,749	3,676
Training		1,416	1,064
Communication		2,114	2,043
Entertainment		1,724	1,406
Rent, rates and taxes		1,070	1,459
Lease rentals		1,316	1,313
Amortisation of intangible assets	5	2,590	2,583
Others		12,933	8,084
		<u>349,673</u>	<u>316,901</u>

**23.1** Salaries, wages and benefits include Rs. 18.188 million (2021: Rs. 17.695 million) in respect of employee retirement benefits.

**23.2** Travelling expense includes directors travelling expense amounting to Rs. 2.253 million (2021: Rs. 0.337 million).

	Note	2022 (Rupees in '000)	2021
<b>24. OTHER INCOME</b>			
<b>Income from financial assets</b>			
Amortisation of discount on Pakistan Investment Bond		2,960	22,117
Gain on redemption of mutual funds - realised		-	5,590
Gain on remeasurement of mutual fund		-	324,137
Dividend income on mutual fund		1,113	7,799
Mark-up on:			
- Pakistan Investment Bonds		127,503	106,291
- Bank deposits and savings accounts		51,866	36,015
- Treasury bills		176,822	66,415
- Term deposit receipts		7,332	11,913
- Loan to employees		18	70
		<u>367,614</u>	<u>580,347</u>
<b>Income from non-financial assets</b>			
Gain on sale of property, plant and equipment	4.1.4	836	1,638
Sale of waste materials		5,135	7,865
Others		409	201
		<u>6,380</u>	<u>9,704</u>
		<u>373,994</u>	<u>590,051</u>

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2022

	Note	2022 (Rupees in '000)	2021
<b>25. OTHER EXPENSES</b>			
Workers' profit participation fund	10.2	74,965	106,801
Workers' welfare fund	18.4	25,835	33,040
Corporate Social Responsibility	25.1	10,609	11,765
Exchange loss		11,036	2,884
Loss on redemption of investment in mutual funds		5,975	-
Loss on re-measurement of investment in mutual funds		141,543	-
Auditors' remuneration	25.2	1,832	1,744
		<u>271,795</u>	<u>156,234</u>

25.1 During the year, the Company has made following CSR activities exceeding Rs. 1 million (2021: Rs. 0.5 million).

Name of Donee	Note	2022 (Rupees in '000)	2021
The Citizens Foundation		1,100	2,400
DHU Skardu Hospital		3,315	-
Earth quack Victims - Baluchistan		1,890	-
Hunar Foundation		3,000	-
Karwan-e-Hayat		-	1,850
Indus Hospital		-	1,461
Dow University Hospital		-	1,207
SIUT Trust		-	1,200
SoS Children Village		108	1,030
Thar Foundation		-	1,000
Friend of Burns		-	995

None of the directors or their spouses had any interest in any of the donee.

#### 25.2 Auditors' remuneration

Audit of the annual financial statements	1,088	1,036
Review of half yearly financial statements	193	193
Special certification, Code of Corporate Governance and other services	271	246
Out of pocket expenses	280	269
	<u>1,832</u>	<u>1,744</u>

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

	Note	2022 (Rupees in '000)	2021
<b>26. FINANCE COSTS</b>			
Interest / mark-up on:			
- finance leases	15	2,345	2,230
- short-term finance		131	429
Workers' profit participation fund		762	-
Bank charges		1,244	927
		<u>4,482</u>	<u>3,586</u>
<b>27. TAXATION - Net</b>			
Current			
- for the year		480,745	469,412
- prior year		(413)	568
		<u>480,332</u>	<u>469,980</u>
Deferred		(31,578)	67,750
		<u>448,754</u>	<u>537,730</u>
<b>27.1 Reconciliation between tax expense and accounting profit</b>			
Accounting profit before taxation		1,397,743	1,996,175
Tax on accounting profit at 29% (2021: 29%)		405,345	578,891
Super Tax under section 4C @ 4%		64,355	-
Unrealised loss on mutual fund subject to lower tax rate		23,355	-
Tax at reduced rate		(42,761)	(44,498)
Tax effect of permanent differences		1,435	781
Tax effect of prior year		(413)	568
Remeasurement gain on employee benefits		353	1,709
Others		(2,915)	279
		<u>448,754</u>	<u>537,730</u>
Effective rate of tax		<u>32.11%</u>	<u>26.94%</u>

**27.2** Sufficient provision for tax has been made in these financial statements taking into account the profit or loss for the year and various admissible allowances and deduction under the Income Tax Ordinance, 2001. Position of provision and assessment including returns filed and deemed assessed for last three years are as follows:

	Note	Tax Deemed assessment	Tax provision	Difference between provision and assessed amount
		(Rupees in '000)		
Tax Year 2021	27.2.1	469,000	469,000	-
Tax Year 2020	27.2.1	524,225	524,225	-
Tax Year 2019	27.2.1	450,478	450,478	-

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

### 27.2.1 Tax provision includes effect of prior adjustments.

27.3 The Company had previously exercised option of being assessed under the Final Tax Regime (FTR) in respect of goods manufactured by it, which was valid for tax years 2005 to 2007. However, due to the amendment made by the Finance Act 2005 and insertion of clause (41A) of Part IV of the second schedule to the Ordinance, the facility of assessment under FTR available for tax years 2006 and 2007 was withdrawn. The Company filed a constitutional petition with the High Court challenging the withdrawal of the facility up to and including tax year 2007. The High Court admitted the petition for hearing. Based on tax advisor's advice, the Company has filed returns of income for tax years 2006 and 2007 under FTR. The liability for the aforesaid tax years has however been recorded under the Normal Tax Regime. Further, the tax return for the tax years 2006 and 2007 are deemed to be assessed under provisions of the Income Tax Ordinance, 2001 ("the Ordinance") unless selected for an audit by the taxation authorities at any time during a period of five years from the date of filing. However, as per Legal Advisor's advice, tax years 2006 and 2007 are time barred for the selection of audit, since the period of five years had lapsed.

The income tax assessments of the Company have been finalised up to and including tax year 2021. Tax returns are deemed to be assessed under provisions of the Income Tax Ordinance, 2001 (the "Ordinance") unless selected for an audit by the Taxation Authorities. The Commissioner Inland Revenue may at any time during a period of five years from the end of financial year in which the Tax Officer issued or treated as issued the original assessment order, amend assessment.

- (a) The Income Tax Authorities had raised a demand of Rs. 43.99 million against the Company under Section 12(9A) of the repealed Income Tax Ordinance, 1979 in respect of assessment year 2000-01. The Company had filed an appeal against this demand before Income Tax Appellate Tribunal (ITAT). The Company had also filed reference before the Alternate Dispute Resolution Committee (ADRC). Based on the recommendation of the ADRC, the Revenue Division, Federal Board of Revenue (formerly Central Board of Revenue) had issued an order as a result of which the above demand was reduced to approximately Rs. 10.221 million. During the year ended June 30, 2006 the ITAT through its order dated September 15, 2005 decided the matter in favour of the Company by deleting the above demand of Rs 43.991 million. However, the Income Tax department had filed an appeal against this order before the Honourable Sindh High Court, which is currently pending.
- (b) The return of income for tax year 2011 has been selected for tax audit through parametric computer ballot by the Federal Board of Revenue on February 25, 2013 under section 214C of the Income Tax Ordinance 2001. The Assistant Commissioner Inland Revenue passed order no: 06/161 dated January 29, 2014 under Section 122(1)(5) of the Ordinance raising a demand of Rs. 4.74 million. The Company had filed an appeal against the Order Before the Commissioner (Appeals) which was decided on December 15, 2014 as follows:
- The CIR (A) directed the Tax officer to examine and verify from the record that the provision for the compensated absences has subsequently been paid and then delete the allowance.
  - The CIR (A) has maintained the action of tax officer in computing the Workers' Welfare Fund Liability at the rate of 2% on accounting profit being higher than the declared income.
  - The CIR (A) has directed the Tax officer to dispose off the rectification application of the Company relating to the allowability of credit for taxes paid at Rs. 37.059 million and allowed in the amended order as against the claim of Rs. 37.331 million.

The Company had filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the above appellate order of Commissioner (Appeals) on which an appellate order bearing order no. 342/KB of 2015 dated November 27, 2018 was passed by Appellate Tribunal Revenue (ATIR) in which ATIR had directed the learned ACIR to work out the Workers' Welfare Fund liability of the Company in the light of an order bearing civil appeal No.1049

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

to 1055/2011 and another order dated November 10, 2016 passed by the Hon'ble Supreme Court of Pakistan involving similar issue of Workers' Welfare Fund. A request for appeal effect to the appellate order was filed and the appeal effect is still pending.

- (c) The Company had e-filed its return of income for the tax year 2018 on the web-portal of FBR on December 31, 2018. The return of income filed is deemed an assessment order under Section 120 of the Income Tax Ordinance, 2001 (the Ordinance). However, case of the Company was selected for audit under Section 177(1) of the Ordinance. Information Document Request (IDR) was issued on January 31, 2019 and the Company had submitted required data, information and supporting details through various letters addressed to the Deputy Commissioner Inland Revenue (DCIR). However, till to date no order has been passed by the tax department.
- (d) The Company had e-filed return of income for the tax year 2019 on the web-portal of FBR on December 31, 2019. The return of income filed is deemed an assessment order under Section 120 of the Income Tax Ordinance, 2001 (the Ordinance). Notice dated October 19, 2020 was issued by DCIR under rule 44(4) of the Income Tax Rules, 2002 for monitoring of withholding taxes. The Company had submitted required reconciliations, details and supporting evidence against said notice. DCIR had subsequently issued notice under section 161(1A) / 205 / 182 of the Ordinance. The Company in compliance with said notice had submitted the information on required format. However, till to date no Order has been passed by the tax department.
- (e) The Company had e-filed return of income for the tax year 2020 on the web-portal of FBR on December 31, 2020. The return of income filed is deemed an assessment order under Section 120 of the Income Tax Ordinance, 2001 (the Ordinance). DC(Audit) under rule 44(4) of Income Tax Rules, 2002 had issued a notice dated April 12, 2021 for monitoring of withholding taxes. Company in compliance with said notice had submitted the information on required format. However, till to date no Order has been passed by the tax department.
- (f) The Company had e-filed its return of income for the tax year 2016 on the web-portal of FBR on December 31, 2016. The return of income filed is deemed an assessment order under Section 120 of the Income Tax Ordinance, 2001 (the Ordinance). Notice dated October 11, 2021 was issued by DCIR under Section 176 of the ordinance read with rule 44(4) of Income Tax Rules 2002 for initiating monitoring of withholding taxes. The Company in compliance with the said notice, is submitting the required information.
- 27.4 (a) The Company had e-filed return of income for the tax year 2015 on the web-portal of FBR on December 31, 2015. The return of income filed is treated as deemed assessment order under Section 120 of the Income Tax Ordinance, 2001 (the Ordinance). The Additional Commissioner Inland Revenue (ADCIR) had issued a notice on April 09, 2021 under Section 122(1) read with 122(5A) of the Ordinance and had contended that the return filed by the Company was erroneous and prejudicial to the interest of revenue. Without prejudice to the legal objections raised against issuance of the said notice, the Company had submitted required details, information and supporting evidences against the observations raised by the tax office.

The ADCIR passed an amended order on June 29, 2021 under Section 122(5A) of the Ordinance raising tax demand of Rs 53.595 million and made following amendments to the return of income for the Tax Year 2015:

- Apportioned all expenses to Final Tax Regime (FTR) and Normal Tax Regime (NTR) i.e. dividend income, capital gain on mutual funds and business income;
- Short allowed credit for advance tax paid or deducted at Rs. 55.576 million as against Rs. 55.648 million;
- Recovered Workers Welfare Fund liability to the tune of Rs. 14.943 million when the same was already paid to Sindh Revenue Board.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2022

The Company had filed an appeal before the Commissioner (Appeals). The decisions of Commissioner (Appeals) are as follows:

- Apportionment of expenses against the NTR and FTR is valid but the cost of sales shall not be apportioned as it specifically relates to the manufacturing process, whereas the administration and general expenses, other charges, and finance cost are liable to be apportioned against NTR and FTR receipts under Section 67 read with rule 13. Hence, the Tax Officer was directed to exclude the cost of sales for the apportionment of expenses.
- This issue is remanded back with the direction to first ascertain the status whether the tax payer Company's trans-provincial or otherwise and then to decide the levy of WWF.
- Allow the consequential impact of WWF and Super Tax in the light of the above decision.

The Company had filed an appeal against the said order before the Commissioner (Appeals) along with application for grant of stay against recovery of the said tax demand. The Commissioner (Appeals) passed an order on June 16, 2022 under Section 129(1) of the Ordinance wherein the Commissioner (Appeals) had deleted / remanded back all issues to the Deputy Commissioner Inland Revenue (DCIR) except the issue of apportionment of common expense. The Commissioner (Appeals) had directed to apportion common expenses to FTR and NTR income respectively after excluding the cost of sales.

Based on Tax Advisor's advice, the Company is in the process of filing an appeal before the Appellate Tribunal Inland Revenue (ATIR) to the extent of the apportionment of common expenses to FTR and NTR incomes.

- (b) The Additional Commissioner Inland Revenue (ADCIR) vide a notice dated December 10, 2021 issued under Section 122(1) read with 122(5A) of the Income Tax Ordinance, 2001 had initiated tax proceedings to amend deemed assessment order under Section 120 of the Ordinance for the Tax Year 2016. The Company had contended the notice as no basis for initiating action under section 122(5A) is available in respect of the matter raised in the notice as no error of law has been established. Without prejudice to the legal objections raised against issuance of the said notice, the Company had submitted required details, information and supporting evidences against the observations raised by the Tax Officer.

The ADCIR in reference to the explanations furnished, passed an order on March 08, 2022 under Section 122(5A) of the Ordinance raising a demand of Rs. 7.792 million. Through the said Order, the ADCIR made following amendments to the return of Income for the Tax Year 2016:

- Apportioned all expenses to Final Tax Regime (FTR) and Normal Tax Regime (NTR) i.e. dividend income, capital gain on mutual funds and business income;
- Disallowed tax credit amounting to Rs 3.220 million claimed under Section 65B of the Ordinance.

The Company had filed an appeal against amended order before the Commissioner (Appeals) along with application for grant of stay against recovery of the said tax demand. The Commissioner (Appeals) passed an order on June 16, 2022 under Section 129(1) of the Ordinance wherein the Commissioner (Appeals) had deleted / remanded back all issues to the Deputy Commissioner Inland Revenue (DCIR) except the issue of apportionment of common expense. The Commissioner (Appeals) directed to apportion common expenses to FTR and NTR income respectively after excluding the cost of sales.

Based on Tax Advisor's advice, the Company is in the process of filing an appeal before the Appellate Tribunal Inland Revenue (ATIR) to the extent of the apportionment of common expenses to FTR and NTR incomes.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

### 28. EARNINGS PER SHARE - Basic and Diluted

	Note	2022 (Rupees in '000)	2021 (Rupees in '000)
Profit after taxation		<u>948,989</u>	<u>1,458,445</u>
		(Number of shares)	
Weighted average number of ordinary shares	18	<u>59,255,985</u>	<u>59,255,985</u>
		(Rupees)	
Earnings per share - basic and diluted		<u>16.02</u>	<u>24.61</u>

28.1 There were no convertible dilutive potential ordinary shares in issue as at year end.

### 29. EMPLOYEES' RETIREMENT BENEFITS

#### 29.1 Gratuity

The Company operates an approved gratuity fund for its eligible employees. Actuarial valuation is carried out on an annual basis and the latest valuation was carried out at 30 June 2022. The projected unit credit method, using the following significant assumptions has been used for the actuarial valuations.

#### 29.1.1 Actuarial assumptions

	2022	2021
a) Discount rate	13.25%	10.0%
b) Salary Increase Rate	13.25%	10.0%
c) Interest Credit Rate	13.25%	10.0%
d) Expected return on plan assets	13.25%	10.0%

#### 29.1.2 Amounts recognised in statement of financial position are as follows:

	Note	2022 (Rupees in '000)	2021 (Rupees in '000)
Present value of defined benefit obligations	29.1.4	<u>355,242</u>	<u>329,649</u>
Fair value of plan assets	29.1.5	<u>(329,986)</u>	<u>(309,967)</u>
Liability as at 30 June		<u>25,256</u>	<u>19,682</u>

#### 29.1.3 Movement in net liability recognised:

Opening net liability		19,682	26,072
Expense recognized during the year	29.1.6	26,749	26,502
Remeasurement gain recognised in OCI		(1,218)	(5,893)
Contributions and benefits paid on behalf of the fund		(19,957)	(26,999)
Closing net liability		<u>25,256</u>	<u>19,682</u>

#### 29.1.4 Movement in present value of defined benefit obligations

Opening present value of obligation		329,649	350,738
Current service cost		15,450	15,323
Interest cost		11,299	11,179
Benefits paid		(27,505)	(67,609)
Remeasurement gain on obligation		(4,270)	(8,982)
Income distributed among the members		30,619	29,000
Closing present value of obligation		<u>355,242</u>	<u>329,649</u>

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2022

	Note	2022	2021			
		(Rupees in '000)				
<b>29.1.5 Movement in the fair value of plan assets</b>						
Opening fair value of plan assets		309,967	324,666			
Expected return on plan assets		30,619	29,000			
Remeasurement loss on plan assets		(3,052)	(3,089)			
Benefits paid		(27,505)	(67,609)			
Contribution by the Company		19,957	26,999			
Closing fair value of plan assets		<u>329,986</u>	<u>309,967</u>			
<b>29.1.6 Expense recognised in the statement of profit or loss</b>						
Current service cost		15,450	15,323			
Net Interest cost		(19,320)	(17,821)			
Income distributed among members		30,619	29,000			
Cost for the year		<u>26,749</u>	<u>26,502</u>			
<b>29.1.7 Return on plan assets is as follows:</b>						
Expected return on plan assets		<u>30,619</u>	<u>29,000</u>			
<b>29.1.8 Plan assets comprised of following</b>		2022	2021			
Regular Income Certificates (RICs)		35%	37%			
Special Saving Certificates (SSCs)		15%	15%			
Pakistan Investment Bonds (PIBs)		46%	18%			
Treasury Bills (T-bills)		2%	27%			
Bank account and short-term deposits		2%	3%			
		<u>100%</u>	<u>100%</u>			
<b>29.1.9 Deficit on the plan assets</b>		2022	2021	2020	2019	2018
		----- (Rupees in '000) -----				
Present value of defined benefit obligation		(355,242)	(329,649)	(350,738)	(328,939)	(373,871)
Fair value of plan assets		329,986	309,967	324,666	305,135	358,879
Deficit		<u>(25,256)</u>	<u>(19,682)</u>	<u>(26,072)</u>	<u>(23,804)</u>	<u>(14,992)</u>
<b>29.1.10 5 years data on experience adjustments</b>						
(Gain) / loss on obligation		(4,270)	(8,982)	(9,121)	(62,484)	16,685
Loss / (gain) on plan assets		3,052	3,089	(4,196)	(68,668)	(25,468)

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

29.1.11 The investment income of the fund is distributed among the members of the fund. Accordingly, expected return on plan asset has not been taken in the gratuity cost for the year ended 30 June 2022.

### 29.1.12 Sensitivity Analysis on significant actuarial assumptions

The below sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	2022	2021
	(Rupees in '000)	
Present value of obligations		
Increase in discount rate by 1%	330,375	306,574
Decrease in discount rate by 1%	383,379	355,759
Increase in salary by 1%	386,648	358,792
Decrease in salary by 1%	326,822	303,277

	Number of years	
	2022	2021
Weighted average duration of the defined benefit obligations	8.75	8.83

### 29.2 Defined contribution plan

	2022	2021
	Un-audited	Audited
	(Rupees in '000)	
Size of the trust	524,536	477,902
Cost of investment made	357,676	341,529
Percentage of the investment made	68.19%	71.46%
Fair value of investment made	363,680	355,759

#### 29.2.1 Breakup of investment

	2022		2021	
	Un-audited		Audited	
	Investment (Rupees in '000)	Percentage of Investment as size of the fund	Investment (Rupees in '000)	Percentage of Investment as size of the fund
Special Saving Certificates	15,327	4.21%	13,758	3.87%
Pakistan Investment Bond	177,370	48.77%	169,601	47.67%
Regular Income Certificates	97,000	26.67%	97,191	27.32%
Treasury Bills	73,396	20.18%	74,528	20.95%
Mutual Fund	587	0.16%	681	0.18%
	<u>363,680</u>	<u>100%</u>	<u>355,759</u>	<u>100%</u>

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2022

29.2.2 Based on the un-audited financial information of the provident and gratuity funds (the "Funds") as at 30 June 2022, investments in collective investment schemes and listed equity securities out of the Funds have been made in accordance with the provisions of section 218 of the Companies Act and the conditions specified thereunder.

### 30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year in respect of the remuneration including certain benefits to the Chief Executive, Directors and Executives of the Company are as follows:

	2022			2021		
	Chief Executive	Non-Executive Directors	Executives	Chief Executive	Non-Executive Directors	Executives
	----- (Rupees in '000) -----					
Directors' fee	-	32,320	-	-	30,080	-
Managerial remuneration, utilities, housing perquisites etc. (including bonus)	44,253	-	127,642	39,002	-	113,224
Retirement benefits	2,878	-	8,757	2,612	-	7,776
Medical	309	-	5,586	194	-	5,050
Total	<u>47,440</u>	<u>32,320</u>	<u>141,985</u>	<u>41,808</u>	<u>30,080</u>	<u>126,050</u>
Number of persons	<u>1</u>	<u>9</u>	<u>34</u>	<u>1</u>	<u>9</u>	<u>28</u>

30.1 The Company bears the travelling expenses of Chief executive, directors and executives relating to travel for official purposes including expenses incurred in respect of attending board meetings.

30.2 The Chief Executive and certain Executives are provided with Company's maintained car. They are also provided life and health insurance coverage.

30.3 The Chief Executive and Directors as above represent key management personnel of the Company, i.e. the personnel having authority and responsibility for planning, directing and controlling the activities of the Company.

### 31. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated company, directors of the Company, companies in which directors also hold directorship, related group companies, key management personnel and staff retirement benefit funds. Transactions with related parties other than those disclosed elsewhere are as follows:

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

Name	Note	Nature of relationship	Basis of relationship	Nature of transaction	2022 (Rupees 000)	2021
Pakistan Security Printing Corporation (Pvt) Limited	31.1	Associated undertaking	Common directorship	Sales	4,416,892	4,249,328
				Purchases	5,309	6,071
				Shared expenses charged by associate	58,306	54,537
				Shared expenses charged to associate	-	6,725
Sumer Holdings, A.S.		Other	Director on board of company	Dividend Paid	213,496	213,496
				Dividend Paid	53,329	53,329
Industrial Development & Renovation Organisation		Other	Director on board of company	Dividend Payable	434,088	384,010
Employees Retirement Funds	31.3	Retirement benefit fund	Employees benefit fund	Contribution made	48,890	48,845
Key management personnel	31.4	Related parties	Executives	Remuneration and benefits	221,745	197,938

- 31.1** All sales transactions with Pakistan Security Printing Corporation (Private) Limited are carried out by the Company using the "Cost Plus Mark-up Method". Other expenses are reimbursements of shared expenses.
- 31.2** All other transactions are based on commercial terms and at market prices which are approved by the Board of Directors. Remuneration of key management personnel are in accordance with their terms of engagements.
- 31.3** Contributions to the employee retirement benefit funds are made in accordance with the terms of employee retirement benefit schemes and actuarial advice.
- 31.4** Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors of the Company.

	Note	2022 (Tons)	2021
<b>32. PRODUCTION CAPACITY</b>			
Total Installed Capacity - on three shift basis		4,500	4,500
Available installed capacity - based on available three shift working days	32.1	4,434	4,464
Actual production		4,187	4,138

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2022

32.1 The short capacity utilisation during the year was due to scheduled plant shutdown of 16 days (2021: 5 days) for maintenance purposes.

### 33. CASH GENERATED FROM OPERATIONS AND FINANCING ACTIVITIES

	Note	2022 (Rupees in '000)	2021
<b>33.1 Cash generated from operations</b>			
Profit before taxation		1,397,743	1,996,175
Adjustments for:			
Depreciation on property, plant and equipment and ROUA	4.1.1	229,647	199,759
Amortization of Intangible assets	5 & 23	2,590	2,583
Finance costs	26	4,482	3,586
Loss / (Gain) on redemption of Investments in mutual funds	24 & 25	5,975	(5,590)
Provision against staff retirement benefits		30,170	29,312
Provision for slow moving stock - stock in trade & stores, spares and loose tools	22	343	(542)
Loss / (Gain) on re-measurement of investment in mutual fund	24 & 25	141,543	(324,137)
Gain on disposal of operating fixed assets	24	(836)	(1,638)
Dividend income on mutual fund	24	(1,113)	(7,799)
Amortization of discount on Pakistan investment bond	24	(2,960)	(22,117)
Mark-up on bank deposits and saving accounts	24	(59,198)	(47,928)
Mark-up on loan to employees	24	(18)	(70)
Mark-up on investments in Government securities	24	(304,325)	(172,706)
Changes in:			
- Stores, spare parts and loose tools		(13,614)	(3,761)
- Stock-in-trade		(7,186)	(24,268)
- Trade debts		(25,236)	(451,354)
- Loans, advances, deposits, prepayments and other receivables		(40,103)	(34,232)
- Trade and other payables		370,681	60,449
		<u>1,728,585</u>	<u>1,195,722</u>

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

### 33.2 Reconciliation of movements of liabilities to cash flows arising from financing activities

	Lease liabilities	Short-term running finance	Dividend payable	Total
	(Rupees in '000)			
Opening balance as at 1 July 2021	26,686	29	359,589	386,304
Dividend declared	-	-	533,304	533,304
Lease obligation entered during the year	6,143	-	-	6,143
Interest accrued on lease obligation	2,345	-	-	2,345
Mark-up on running finance	-	131	-	131
	8,488	131	533,304	541,923
Payments against lease obligations	(8,174)	-	-	(8,174)
Interest payment	(2,345)	-	-	(2,345)
Repayment of short term borrowings	-	(52)	-	(52)
Disposal	(457)	-	-	(457)
Dividend paid	-	-	(484,411)	(484,411)
	(10,976)	(52)	(484,411)	(495,439)
Closing balance as at 30 June 2022	24,198	108	408,482	432,788

### 34. FINANCIAL RISK MANAGEMENT

#### Financial risk factors and risk management framework

The Company finances its operations through short term borrowing, long term financing and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2022

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. No changes were made in the objectives, policies or processes and assumptions during the year ended 30 June 2022 which are summarized below:

#### 34.1 Credit risk

Credit risk represents the financial loss that would be recognised at the reporting date if counterparties fail completely to perform as contracted / discharge on obligation / commitment that it has entered into with the Company.

All investing transactions are settled / paid for upon delivery as per the advice of investment committee. The Company's policy is to enter into financial instrument contract by following internal guidelines such as approving counterparties and approving credits.

The bulk of the sales of the Company are made to PSPC and the amount due from PSPC at the reporting date constituted 9.30% (2021: 11.5%) of the total financial assets.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	Note	2022 (Rupees in '000)	2021
Investments	6 & 12	4,558,189	3,867,365
Trade debts	9	837,489	812,253
Loans, deposits, and other receivables		118,180	77,750
Lease deposits		4,936	4,770
Interest accrued	11	30,457	58,152
Bank balances	13	758,182	652,103
		<u>6,307,433</u>	<u>5,472,393</u>

#### Quality of financial assets

Investments comprise of Term Deposit Receipts and Units of Mutual Funds. The analysis below summarises the credit quality of the Company's investments. Besides these investments, the Company also has investments in Pakistan Investment Bonds and Treasury Bills as disclosed in note 6 and 12 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

	2022	2021
	(Credit Ratings)	
Meezan Islamic Fund	<u>AM1</u>	<u>AM1</u>
NIT Islamic Equity Fund	<u>AM1</u>	<u>AM1</u>
NBP Islamic Stock Fund	<u>AM1</u>	<u>AM1</u>
Meezan Strategic Allocation Fund - I	<u>-</u>	<u>AM1</u>
Meezan Balance Fund	<u>-</u>	<u>AM1</u>

All the counterparties are of domestic origin. Aging of the trade debts is as under:

	2022		2021	
	Gros	Impairment	Gross	Impairment
	----- (Rupeesin'000)-----			
Neither past due nor impaired	837,458	-	746,851	-
Past due but not impaired				
- 31 - 60	-	-	65,371	-
- 61 - 90				
- 90 and above	<u>31</u>	<u>-</u>	<u>31</u>	<u>-</u>
	<u>837,489</u>	<u>-</u>	<u>812,253</u>	<u>-</u>

Based on the past experience the management believes that no impairment allowance is necessary in respect of unprovided past due amounts as there are reasonable grounds to believe that the amounts will be recovered in short course of time.

**34.1.1** The credit quality of Company's bank balances and letter of placement can be assessed with reference to external credit ratings as follows:

Bank	Rating agency	Short-term rating	2022 (Rupees in '000)	2021
National Bank of Pakistan Limited	PACRA	A1+	35,485	36,511
MCB Islamic Bank Limited	PACRA	A1	180	174
Bank Al Habib Limited	PACRA	A1+	721,464	605,683
Meezan Bank Limited	JCR - VIS	A1+	741	9,378
Khushali Microfinance Bank Limited	JCR - VIS	A1	14	13
Habib Metropolitan Bank Limited	PACRA	A1+	99	94
Bank Al Falah Limited	PACRA	A1+	<u>160</u>	<u>150</u>
			<u>758,143</u>	<u>652,003</u>

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2022

34.1.2 The Company has provided security deposits as per the contractual terms with counter parties as security and does not expect material loss against those deposits' retention money.

#### 34.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as all obligations / commitments of the Company are short term in nature and are restricted to the extent of available liquidity. In addition, the Company has facilities of running finance amounting to Rs. 500 million to meet any deficit, if required to meet the short term liquidity commitment.

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

	2022					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
----- (Rupees in '000) -----						
<b>Financial Liabilities</b>						
Lease liabilities	24,198	(28,015)	(3,877)	(3,876)	(10,887)	(5,558)
Trade and other payables	608,395	(608,395)	(513,811)	(94,584)	-	-
Accrued mark-up	108	(108)	(108)	-	-	-
Unpaid dividend	4,134	(4,134)	(4,134)	-	-	-
Unclaimed dividend	404,348	(404,348)	(404,348)	-	-	-
	<u>1,041,183</u>	<u>(1,045,000)</u>	<u>(926,278)</u>	<u>(98,460)</u>	<u>(10,887)</u>	<u>(5,558)</u>

	2021					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
----- (Rupees in '000) -----						
<b>Financial Liabilities</b>						
Liabilities against assets						
Lease liabilities	26,686	(30,503)	(3,681)	(3,681)	(13,766)	(5,558)
Trade and other payables	489,627	(489,627)	(367,270)	(122,357)	-	-
Accrued mark-up	29	(29)	(29)	-	-	-
Unpaid dividend	3,931	(3,931)	(3,931)	-	-	-
Unclaimed dividend	355,658	(355,658)	(355,658)	-	-	-
	<u>875,931</u>	<u>(879,748)</u>	<u>(730,569)</u>	<u>(126,038)</u>	<u>(13,766)</u>	<u>(5,558)</u>

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

### 34.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk, interest rate risk, and other price risk.

#### 34.3.1 Currency risk

The Company was mainly exposed to currency risk on import of raw materials and fixed assets being denominated in US dollars and Euros.

The Company's exposure to foreign currency risk is as follows:

	2022		
	USD	Euro	Total
	----- (Rupees in '000) -----		
Payable against purchase of operating fixed assets	-	45,523	45,523
Gross balance sheet exposure	-	45,523	45,523
Outstanding letters of credit	150,695	94,491	245,186
	<u>150,695</u>	<u>140,014</u>	<u>290,709</u>
	2021		
	USD	Euro	Total
	----- (Rupees in '000) -----		
Payable against purchase of operating fixed assets	5,987	39,514	45,501
Gross balance sheet exposure	5,987	39,514	45,501
Outstanding letters of credit	19,248	29,195	48,443
Net exposure	<u>25,235</u>	<u>68,709</u>	<u>93,944</u>

The following significant exchange rates have been applied:

	2022	2021
USD to PKR	206.00	157.54
Euro to PKR	215.75	187.27

#### Sensitivity analysis

At reporting date, if the PKR had strengthened / weakened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been higher / lower by the amount shown below, mainly as a result of foreign exchange gain / (loss) on translation of trade & other payables and liability against purchase of fixed assets.

	2022	2021
	(Rupees in '000)	
<b>Effect on profit</b>		
Increase	3,232	2,805
Decrease	(3,232)	(2,805)

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

### 34.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Pakistan Investment Bonds, Term Deposit Receipts, short term running finance, Treasury Bills and assets subject to finance lease at variable rates. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

At the reporting date the interest rate profile of the Company's interest bearing financial instruments is as follows:

	Note	2022 Carrying amount (Rupees in '000)	2021 Carrying amount (Rupees in '000)
<b>Financial assets</b>			
<b>Fixed rate instruments</b>			
Pakistan Investment Bonds (PIBs)		94,464	521,783
Deposits & Saving Accounts	13	757,858	651,834
Treasury Bills	12	2,436,276	1,418,024
<b>Variable rate instruments</b>			
Pakistan Investment Bonds (PIBs)		1,225,195	800,000
<b>Financial liabilities</b>			
<b>Variable rate instruments</b>			
Lease liabilities	15	24,198	26,686

#### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect statement of profit or loss.

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Effect on profit and loss	
	100 bps increase	100 bps decrease
	(Rupees in '000)	
As at 30 June 2022		
Cash flow sensitivity - Variable rate instruments	12,010	(12,010)
As at 30 June 2021		
Cash flow sensitivity - Variable rate instruments	267	(267)

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets of the Company.

### 34.3.3 Other price risk

Other price risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Company's investment in units of mutual fund.

A 10% increase / decrease in Net Asset value (NAV) at year end would have increased / decreased surplus on re-measurement of investments as follows:

	2022 (Rupees in '000)	2021
Units of mutual funds	80,225	112,756

The sensitivity analysis prepared is not necessarily indicative of the effects on other comprehensive income, equity and assets of the Company.

### 34.3.4 Capital risk management

The Company's objective when managing capital is to safe guard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustainable development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

## 35. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### Fair value hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Level 1 : Fair value measurements using quoted (unadjusted) in active markets for identical asset or liability.

Level 2 : Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

	Note	30 June 2022							
		Carrying amount			Fair value				
		Fair value through profit or loss	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----									
<b>On-balance sheet financial instruments</b>									
Financial assets measured at fair value									
Investments									
- Units of mutual fund		802,254	-	-	802,254	802,254	-	-	802,254
Financial assets not measured at fair value									
Investments									
- Pakistan Investment Bonds		-	1,319,659	-	1,319,659	-	1,312,336	-	1,312,336
- Treasury bills		-	2,436,276	-	2,436,276	-	2,432,625	-	2,432,625
Loans, deposits and other receivables	35.1	-	118,180	-	118,180	-	-	-	-
Interest accrued	35.1	-	30,457	-	30,457	-	-	-	-
Trade debts	35.1	-	837,489	-	837,489	-	-	-	-
Bank balances	35.1	-	758,182	-	758,182	-	-	-	-
		-	5,500,243	-	5,500,243	-	3,744,961	-	3,744,961
Financial liabilities not measured at fair value									
Liabilities against assets subject to finance lease									
to finance lease	35.1	-	-	24,198	24,198	-	-	-	-
Trade and other payables	35.1	-	-	608,395	608,395	-	-	-	-
Mark-up accrued	35.1	-	-	108	108	-	-	-	-
Unpaid dividend	35.1	-	-	4,134	4,134	-	-	-	-
Unclaimed dividend	35.1	-	-	404,348	404,348	-	-	-	-
		-	-	1,041,183	1,041,183	-	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

Note	30 June 2021						
	Carrying amount			Total	Fair value		
	Fair value through profit or loss	Amortised cost	Other financial liabilities		Level 1	Level 2	Level 3
----- (Rupees in '000) -----							
On-balance sheet financial instruments							
Financial assets measured at fair value							
Investments							
- Units of mutual	1,127,558	-	-	1,127,558	1,127,558	-	- 1,127,558
Financial assets not measured at fair value							
Investments							
- Pakistan Investment Bonds	-	1,321,783	-	1,321,783	-	1,339,739	- 1,339,739
- Treasury bills	-	1,445,109	-	1,445,109	-	1,467,402	- 1,467,402
Loans, deposits and other receivables	35.1	- 77,750	-	77,750	-	-	-
Interest accrued	35.1	- 58,152	-	58,152	-	-	-
Trade debts	35.1	- 812,253	-	812,253	-	-	-
Bank balances	35.1	- 652,103	-	652,103	-	-	-
		- 4,367,150	-	4,367,150	-	2,807,141	- 2,807,141
Financial liabilities not measured at fair value							
Liabilities against assets subject to finance lease	35.1	-	26,686	26,686	-	-	-
Trade and other payables	35.1	-	489,627	489,627	-	-	-
Mark-up accrued	35.1	-	29	29	-	-	-
Short term borrowings	35.1	-	-	-	-	-	-
Unpaid dividend	35.1	-	3,931	3,931	-	-	-
Unclaimed dividend	35.1	-	355,658	355,658	-	-	-
		-	875,931	875,931	-	-	-

**35.1** The Company has not disclosed the fair values for some financial assets and financial liabilities, as these are either short term in nature or reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2022

### 36. OPERATING SEGMENTS

These financial statements have been prepared on the basis of a single reportable segment.

- 36.1 Revenue from bank note paper represents 83.56% (2021: 84.34%) of the total revenue of the Company.
- 36.2 All the sales of the Company are made to customers located in Pakistan.
- 36.3 All non-current assets of the Company at 30 June 2022 are located in Pakistan.
- 36.4 One customer (PSPC) of the Company accounts for 85.82% (2021: 84.96%) of total revenue of the Company for the year.

### 37. NUMBER OF EMPLOYEES

The number of employees including contractual employees of the Company are as follows:

	2022	2021
	(Numbers)	
At year end	301	317
Average employees during the year	310	335
Factory employees	198	209

### 38. DIVIDEND AND APPROPRIATIONS

The Board of Directors in their meeting held on September 29, 2022 have proposed a final cash dividend of Rs. 10.00 per share amounting to Rs. 592.559 million (2021: Rs.9 per share amounting to Rs. 533.304 million) for approval of the members at the Annual General Meeting to be held on October 26, 2022 and approved the transfer of Rs. 356.430 million from unappropriated profits to general reserves (2021: Rs. 931.038 million). These financial statements do not include the effect of the proposed cash dividend and transfer of unappropriated profits to general reserves which will be accounted for in the financial statements of the Company for the year ended 30 June 2023.

### 39. GENERAL

#### 39.1 Corresponding figures

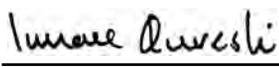
Corresponding figures have been re-presented, wherever necessary. The following major reclassification have been made during the year:

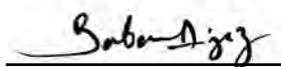
Description	Re-classified from	Reclassified to	2021 Balance (Rupees in 000)
Accrued interest-T-bills	Accrued interest	Short term investments	27,085
Lease rentals	Cost of sales	Administrative expenses	1,313

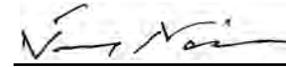
These reclassifications do not have any material impact on these financial statements, therefore, corresponding figures have not been restated.

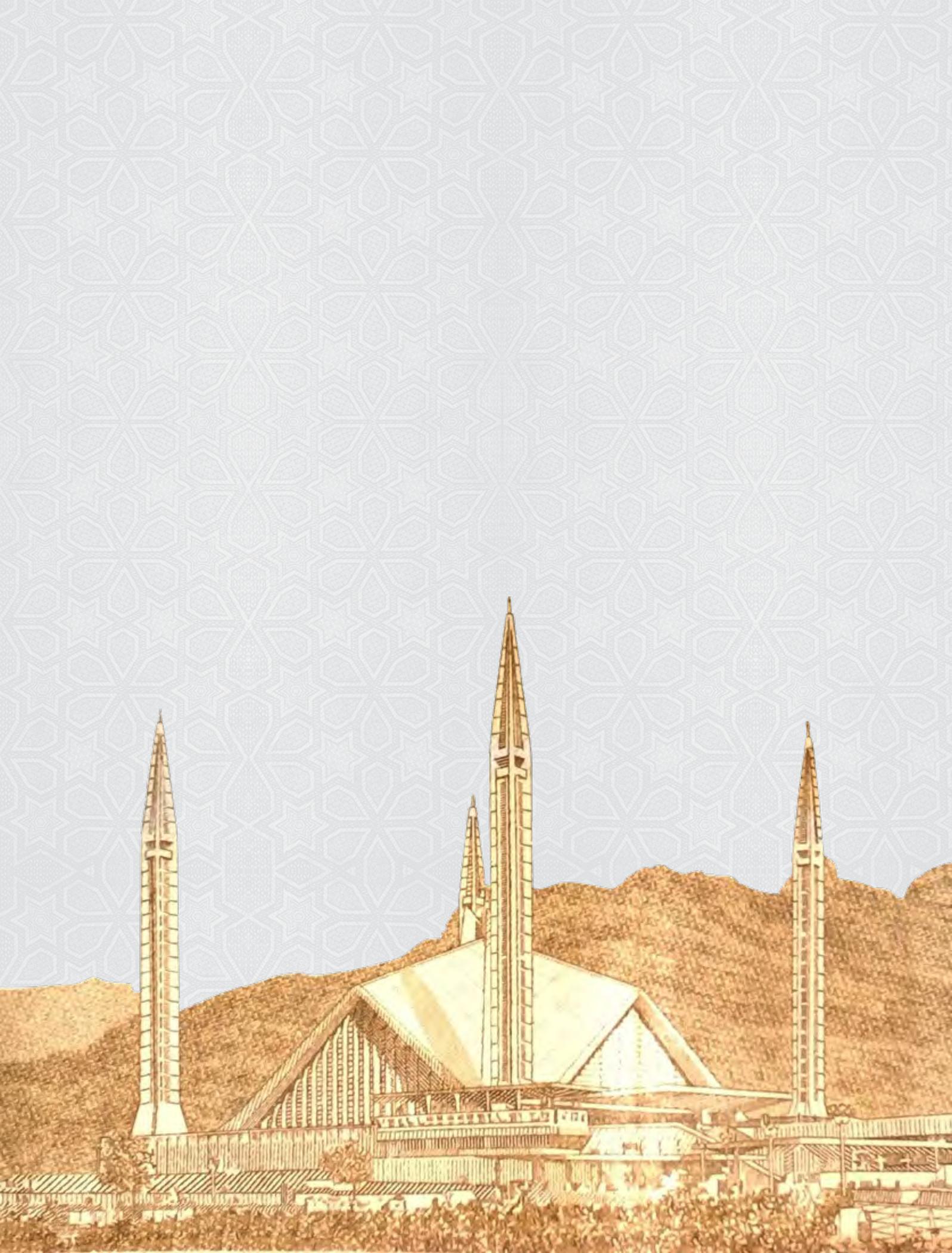
#### 39.2 Date of authorisation

These financial statements were authorised for issue on September 29, 2022 by the Board of Directors of the Company.

  
Imran Qureshi  
Chief Executive Officer

  
Babar Aijaz  
Chief Financial Officer

  
Jamal Nasim  
Director



# Future Outlook



# FUTURE OUTLOOK

## Forward looking statement

Security Papers Limited is the only national strategic industrial organization producing Banknote and other Security Paper products. One of the major strengths of the Company is that it is the sole supplier of Banknote paper to its major customer i.e., Pakistan Security Printing Corporation (Pvt.) Limited (PSPC) for onward delivery of currency notes to State Bank of Pakistan. In order to capitalize on its strengths, over the years, the Company has upgraded its production facilities by acquiring state-of-the-art Plant & Equipment.

Overall, the future looks promising for SPL as the market for Banknote and other Security Paper products is growing. The Clean Note policy of State Bank of Pakistan requires regular injection of fresh notes in and lifting of soiled notes from the market. This has created good demand for banknote Papers.

## External environment

The external environment comprises of political, economic, socio cultural, technological, legal and environmental (PESTEL) factors which are beyond the control of the Company and can affect operations, decisions, strategies, processes and performance of the business. The Company conducts PESTLE analysis that describes a framework of macro-environmental factors such as inflation, political instability, obsolescence of production facilities, applicable laws and regulations for environmental stability. The external environment plays a critical role in shaping the future of our business.

The Company closely monitors regulatory changes that may have adverse impact on the Company's operations. The Company also monitors the economic factors resulting in price hike of major raw materials due to inflation and depreciation of local currency. The Company gives special emphasis on the adoption of the latest technology to enhance its operations to safeguard against the technical obsolescence of production facilities.

The major challenges confronted by the Company due to external business environment include rising production cost due to high input cost of raw materials and utilities, high incidence of taxes and devaluation of rupee. The external environment of the Company may change in ways beyond its control. To keep the business ahead the management continuously adjusts its strategies to reflect the environment of the Company. External environment factors are important because they can cause direct and indirect effects on business operations, personnel and revenue. The management is much focused on tracking these changes and minimize their consequences.

## FUTURE OUTLOOK

### Company performance against forward looking disclosures made last year

The Company made good progress on optimizing performance, streamlining costs, and capitalizing on our significant growth opportunities. The Board closely monitored the performance of the business that remained broadly in line with the targets. The impact of rupee depreciation and increase in costs of utilities and hike in raw materials prices was passed on or controlled through efficiency improvement. During the year, the Company has entered into a binding contract for the first time with Election Commission of Pakistan (ECP) for supply of special watermarked Ballot Paper for financial year 2022-23. This contract is step towards Company's commitment to enhance its product and customer base. With a strong performance exhibited during the year under review, supported by high-performing management and underpinned by a strong financial position, the Company is well positioned to keep adding value to its stakeholders' wealth.

### Status of projects in progress and disclosed in the previous years

A number of new projects were initiated last year considering the strategic goals of the Company. During the year, Pilot Project on Renewable Energy, New Refiners and Diesel Generator 200 KW have been successfully completed. Whereas, the projects of Construction of Building for Comber Storage, Installation of Solar panels on Administration Block will be commissioned during FY 2022-23.

### Sources of information used for projections

The Company prepares long term Strategic Business Plan, Annual Budget and Profit Forecasts to enable it to look forward and take appropriate steps to deal with future uncertainties and changes and to manage its business more effectively. The sources of information used for projections comprise of historical data, internal records and databases for making projections/forecasts which are adopted as formal plans for the Company after the Board's approval.

### Challenges and Uncertainties

In view of growing demand for security paper products the Company intends to explore external opportunities by diversifying into other value added security paper related products. In order to address the capacity constraints in its operations, the Company has plans to up-grade its production facilities by acquiring state-of-the-art plant & equipment.

The Company intends to keep pace with the changing business environment to meet the demand of our customers, thus ensuring growth and sustainability. The Board will continue to improve oversight and governance of all aspects of the business including changes to the business environment and completion of the Company's projects that are currently underway. We are looking forward to contribute more for the sustainability of our environment.



# Sustainability Report



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# SUSTAINABILITY GOVERNANCE

## Sustainable Development

### Environmental, Social, and Corporate governance

The Company has a strategic nature of operations as its products are of the highest national importance. Therefore, the security of Products, its production facilities and human capital are of prime concern for Management. For sustainable business growth and to evaluate the extent to which SPL works on behalf of social goals that is beyond maximize profits for the shareholders, and include factors like Diversity, Human rights, Consumer protection, Management structure, Employee relations, and Climate change and Environmental sustainability etc.

The company has established a comprehensive Integrated Management System which comprises Quality Management, Environment and Occupational Health and Safety Management Systems based on International Standards of ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 respectively.

To maintain certifications, successful surveillance audits of Occupational Health and Safety Environment and Quality Management System, were conducted by SGS Pakistan (Pvt.) Ltd. in Feb. 2022.



# PRINCIPAL ACTIVITY

## Quality Management System (ISO 9001:2015)

Maintaining ISO certification is a proof of the accomplishment of sustainability goals for the quality services being provided to our customers as well as adoption of the best international practices and procedures with respect to the Quality Management Systems and established contexts of Organization to fulfill the needs and expectation of internal as well as external interested parties.

Customers' Feedback is obtained from all key customers on bi-annual basis and corrective and preventive actions are taken accordingly. Customers' complaints are processed through well-defined Standard Operating Procedures-SOPs.

## The Environment Management System (ISO 14001: 2015)

The Environment Management System (ISO 14001: 2015) integrates procedure and processes for training of personnel, monitoring, summarizing, and reporting of specialized environmental performance data and information to internal and external stakeholders. We have implemented environmental programs in a comprehensive, systematic, planned manner which are well documented. The organization is also fully concerned regarding 3Rs (Reduction, Reuse and Recycle) of waste and efficient use of natural resources (electricity, water, gas, fuels etc.), and keen to follow global best practices to protect the environment. During the year, business process re-engineering efforts resulted in control of process losses and improvement in environment system processes by hiring services Competent SEPA (Sindh Environment Protection Agency) certified environmental consultant which resulted in effective monitoring of the environmental parameters such as stack emissions and effluent quality to comply with legal requirements. The Sindh Environmental Protection Act, 2014, and SMART Rule 2014 are fully complied.

The National Forum for Environment & Health - NFEH conferred the 18th Annual Environmental Excellence Award in Sep 2021 to Security Papers Limited. The award was given in recognition of the Company's vision and its effective implementation of Environment Management System and Policies after thorough assessment of its submitted documents and testimonials by the distinguished NFEH Panel of Jury through a unanimous decision.

The Company also received the 11<sup>th</sup>, 15<sup>th</sup>, 16<sup>th</sup>, 17<sup>th</sup> and 18<sup>th</sup> Annual Environment Excellence Awards in 2014, 2018, 2019, 2020 and 2021 respectively.

The Company has invested in developing its infrastructure in water resources for reduction in amount of liquid effluent. A state-of-the-art Waste Water Treatment Plant is now in operation that is capable of recycling up to one third of all our effluent water thereby improving sustainability of the Company.

## Occupational Health and Safety Management System (ISO 45001:2018)

It's a prime objective in our organization to have a healthy workforce with minimum of occupational injuries and diseases. We strive to promote and protect physical and mental health. Occupational Health and Safety Management System (OHSMS) is a fundamental part of our organization's risk management strategy. Implementing OHSMS enabled us to:

- Protect our workforce and others under our control
- Comply with legal requirements
- Facilitate continual improvement

HSE & Sustainability training have also been earmarked into the training calendar for FY 2022-23. A series of Awareness Sessions on OH&S, Environment and Sustainability such as Managing Safely at work place, Tool Box Talk, Workplace Safety

# PRINCIPAL ACTIVITY

including behavioral safety, COVID-19 Preventive measures, Firefighting, Healthcare Policy Awareness, Implementation of 5S methodology to improve Housekeeping, waste and hygiene control, Chemical spill, Materiality Assessment & Stakeholder Engagement, were chalked out. Besides that, technical training, job hazard analysis, sessions etc. were also arranged through both internal and external reputable trainers/facilitators. 980 training man-hours out of a total of 2774.5 man-hours (approx.35%) were allocated to OHSE and Sustainability related training courses that were attended by employees. The Sindh Occupational Safety and Health Act, 2017 is also fully in place.

The performance of Occupational Health and Safety Management System (OHSMS) is verified through periodic surveillance audits of external certification bodies such as SGS.

High quality personal protective equipment has been provided to all departments through structured mapping at all relevant job levels to ensure their appropriate usage. A review of Hazard Identification and Risk Assessment & Control is regularly carried out by the Health and Safety Surveillance Committee (HSSC).

The Company carries out incident / accident analysis and follow up for corrective / preventive measures to reduce accidents. A series of Awareness sessions on OH&S, Environment and COVID-19 Preventive measures were conducted to emphasize on the importance of these issues.

## 16<sup>th</sup> OSHW (Occupational Safety, Health and Wellbeing) award 2021

SPL has won the 16th OSHW award organized by Employers Federation of Pakistan (EFP).

EFP has given focused importance to the need of making workplaces safer and healthier. It has been celebrating the World Day of Health and Safety at Work and recognizing companies demonstrating best practices in areas of Occupational Safety and Health for the consecutive 15 years, regardless of their size or the sector they operate within.

As the pandemic had exacerbated mental health challenges and the wellbeing of the workforce, this year in its 16th year of OSH initiative, EFP acknowledged the contribution by the companies for the wellbeing of the workforce, and the Award has been recognized as 'Occupational Safety, Health, and Wellbeing (OSHW) - Conference & Awards'.

EFP's Best Practices Awards are recognized globally which project and motivate organization to continue with their efforts in raising the bar and inspire others to follow.

The participating organizations were evaluated on the basis of a self-declaration response to the standardized questionnaire which was verified by an Evaluation Committee of highly competent and expert OSHW professionals.

# COVID-19 PANDEMIC RECOVERY PLAN

## Policy Statement

Safety of employees and their families is the top most priority of the Company. This was ensured by implementing relevant SOPs issued by the Government from time to time. The Company ensured provision of safe and secure workplaces by making available necessary Personal Protection Equipments, Hand Sanitizers and all other essential inputs needed to safeguard the health of its workforce and other stakeholders including visitors to continue smooth operations.

## Preventive Measures

In Spite of the fact that Covid-19 pandemic intensity has reduced, the close monitoring of potential risks are well in place. The Safety Controls and effective measures undertaken by the Company for prevention of COVID-19 Pandemic within its premises is in compliance with the SOPs issued by Government.

- All necessary measures were taken for procurement of masks, liquid soap, hand sanitizers and disinfectant sprays availability and its distribution throughout the Covid-19 Pandemic and are still in place.
- Covid-19 Preventive Measures and Risk Assessment and Control were incorporated in routine Tool Box Talks before commencement of work activities at the start of every shift and still it is being practiced.
- Frequency of Good Manufacturing Practices (GMP) Rounds were increased to monitor the situation on ground at regular intervals by the IMS team.
- A series of COVID-19 awareness sessions were held by our Medical Consultant with focus on taking necessary preventive measures and maintaining a balanced diet and adopting a healthy lifestyle for our workforce.
- Management has reinforced the practice of maintaining social distancing & preventing gatherings and discourages physical interactions like handshakes etc.
- Virtual meetings were conducted at the office to ensure minimum physical interaction among employees and other stakeholders and still we try to get the job done in this manner.
- All office rooms, meeting rooms, corridors, surfaces and factory areas are still being regularly disinfected.

Due to effective Safety Measures, not a single Covid-19 positive case reported during the FY 2021-22.

## Corporate Social Responsibility (CSR)

With the aim to contribute to societal goals of a philanthropic, or charitable nature by engaging in or supporting volunteering or ethically oriented practices, Security Papers Limited (SPL) contributed meaningfully to the society, environment, and national causes by creating opportunities for its employees to participate in socially responsible initiatives, allocating a budget approved by the Board, establishing an implementation & monitoring mechanism for CSR initiatives. SPL undertakes its activities in a manner that exhibits its responsibility towards the environment & society which complements its core business strategy and corporate values.

The Company is committed to manage the social, environmental and economic effects of its operations responsibly and in line with public expectations. SPL continues to look forward to supporting and investing in the communities in which it operates through a variety of CSR initiatives. During the year under review, the Company focused its CSR initiatives on health and education, vocational training, women's empowerment, and environment. More details of the Company's CSR activities are covered in the CSR corner on page [233 to 235](#)

# COVID-19 PANDEMIC RECOVERY PLAN

## Business Continuity Plan

The core objectives of Business Continuity Plan (BCP), in case of any occurrence of catastrophe caused by fire, natural disasters, utility / power failure, hazardous chemical spill, civil strife, sabotage or an act of war for SPL, includes:

- Protection of human lives and safety of all personnel;
- Prevention of business disruptions;
- Minimization of economic losses resulting from a business disruption.
- Documentation of the steps necessary to recover from the loss of critical facility and infrastructure resources;
- Identification of key individuals responsible for the specific activities of the restoration;
- Identification of alternate resources for reducing dependence on specific individuals or groups;
- Restoration of critical business functions within agreed period following an event;
- Maintenance of maximum possible service levels;

# CONTINUAL IMPROVEMENT INITIATIVES

## KAIZEN Projects Implementation

In order to improve business activities that continuously improve all functions and involve all employees from the CEO to the assembly line workers and to reduce or eliminate waste & redundancies which lead to Lean manufacturing, Kaizen culture was promoted throughout the organization to foster a positive and conducive work environment and to drive results from synergistic team building process that ensures equal representation from officers as well as staff and workers at all levels.

Other associated benefits with the implementation of KAIZEN culture includes more satisfied employees, improved employee commitment, and retention which ultimately leads toward improved competitiveness and enhanced customer satisfaction.

A total of 20 KAIZEN projects were successfully implemented in the organization in FY 2021-22. Performance of each individual against the accomplishment of KAIZEN Projects has been linked with the Annual Performance Appraisal System and the same was practiced during FY 2021-22.

## 5S System Implementation Program

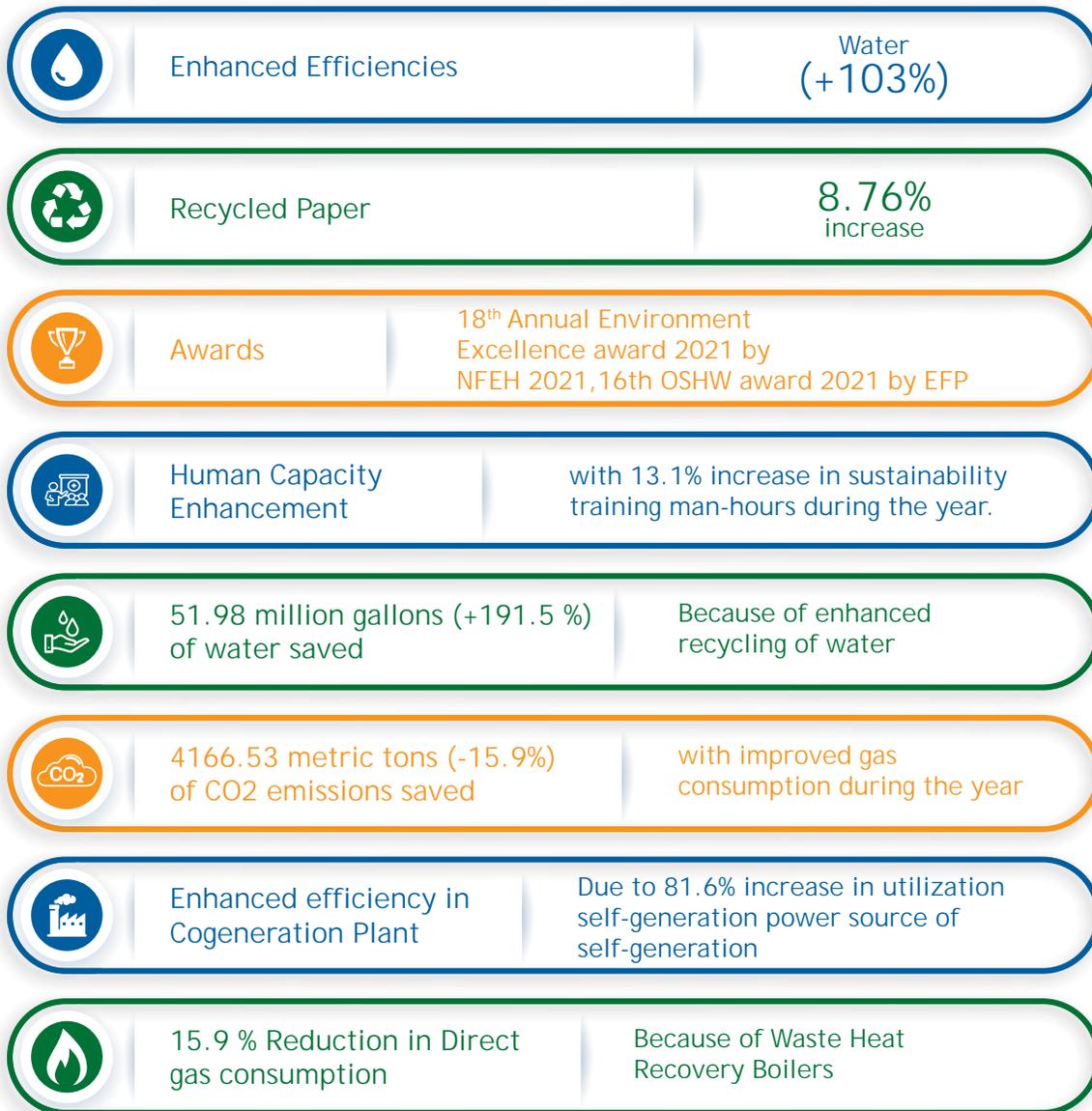
Implementation of all five phases of 5S include Sorting, Setting, Shining, Standardizing, and Sustaining in the workplace in true letter and spirit in last two years were done throughout the factory premises.

Key benefits include increased productivity, improved safety, reduction in waste, and workforce commitment. For effective 5S implementation, the whole factory was divided into 19 blocks. An independent Implementation Audit Committee conducts a comprehensive 5S Audit of each of the 19 blocks and assigns scores while simultaneously also identifying areas for improvement. For the 2nd time in the history of SPL, the 5S performance of each individual Officer was linked with the Annual Performance Appraisal System.

# SUSTAINABILITY IS OUR OBSESSION

## SUSTAINABILITY REPORT (FY 2021-22)

### SUSTAINABILITY PERFORMANCE (2021 - 2022 HIGHLIGHTS)



# SUSTAINABILITY FRAMEWORK & STRATEGY

In the changing world, our business relies upon social, ecological, and relational inclusiveness, manufactured, and natural capital to provide the people relationships and resources without which financial capital is meaningless. Businesses who strive continuously to produce world-class high-quality products through investments in innovative technology while taking care of health, safety, and environmental impacts on our community and society remain sustainable in long term.

For SPL, Sustainable development is “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.

Sustainable Development Goals (SDGs) have been identified as a roadmap for our business to integrate into our strategy. These SDGs are being used for aligning our targets for inclusive and sustainable development, measuring and managing our impact(s) including materiality assessment.

While SPL supports all seventeen SDGs, it prioritizes its actions where it can achieve the greatest impact. The rationale behind reporting on a particular KPI and its importance to the company and its stakeholders has been addressed in the SDG Reporting Section.

We believe that factoring sustainability issues into our business strategy will ultimately lead to making decisions that advances sustainability as well as business success.

The Sustainability Roadmap is subdivided into four fields of action for SPL: These include “Sustainable Management,” “Customers and Products,” “Environment and Energy,” and “Employees and Society.” It allows the assessment of the state of the implementation of sustainability-related activities and shows the effects that the company’s goals towards fulfilling the Sustainable Development Goals (SDGs) of the United Nations. The Sustainability Roadmap is annually evaluated and is accordingly adjusted or expanded.

SPL is fully committed to contribute towards sustainable development in following ways:

- Providing highest level of satisfaction to our customers and other stakeholders through manufacturing of high-quality products in alignment with established Context of the Organization.
- Mitigating/Adapting all types of risks through creation of framework such as Enterprise & Climate Risk Management and Business Continuity Planning.
- Fostering continual improvement through use of tools such as KAIZEN, 5S Methodology and Preventive and Predictive Maintenance etc.
- Motivating, engaging, and developing employees through coaching, mentoring, on-job trainings, job rotations, and project assignments ultimately resulting in higher productivity and retention of the employees.

# SUSTAINABILITY FRAMEWORK & STRATEGY

Following are the key element of our sustainability strategy:

1. **Cotton Fiber Source** -Creating systems in identifying issues in the value chain through strengthening relationships with our suppliers ultimately resulting in procurement of high-quality raw materials.
2. **Conservation of biodiversity** Conservation of biodiversity is considered as a key component for administration of natural assets. Conservation of biodiversity in natural heritage sites including sacred groves, protected areas and other biodiversity 'hotspots' is crucial for maintaining the resilience of ecosystems.
3. **Human rights and indigenous/common people** protection of indigenous peoples' rights to their collective biocultural heritage as a whole, including traditional knowledge and resources, territories, and cultural and spiritual values and customary laws.
4. **Climate Change** We provide immediate assistance and long-term support for any natural disaster when people are forced to evacuate and/or their homes are destroyed leaving them in need of shelter, food, or water.
5. **Emission Control** Society has to find ways and means to reduce the emission of greenhouse gases, mainly carbon dioxide, to prevent global warming when considering inter-generational equity with respect to environmental quality. Our aim of carbon dioxide emission control is to keep the level of carbon dioxide below a certain threshold level.
6. **Water Management** The 6th SDG of sustainable development is to ensure availability and sustainable management of water and sanitation for all.

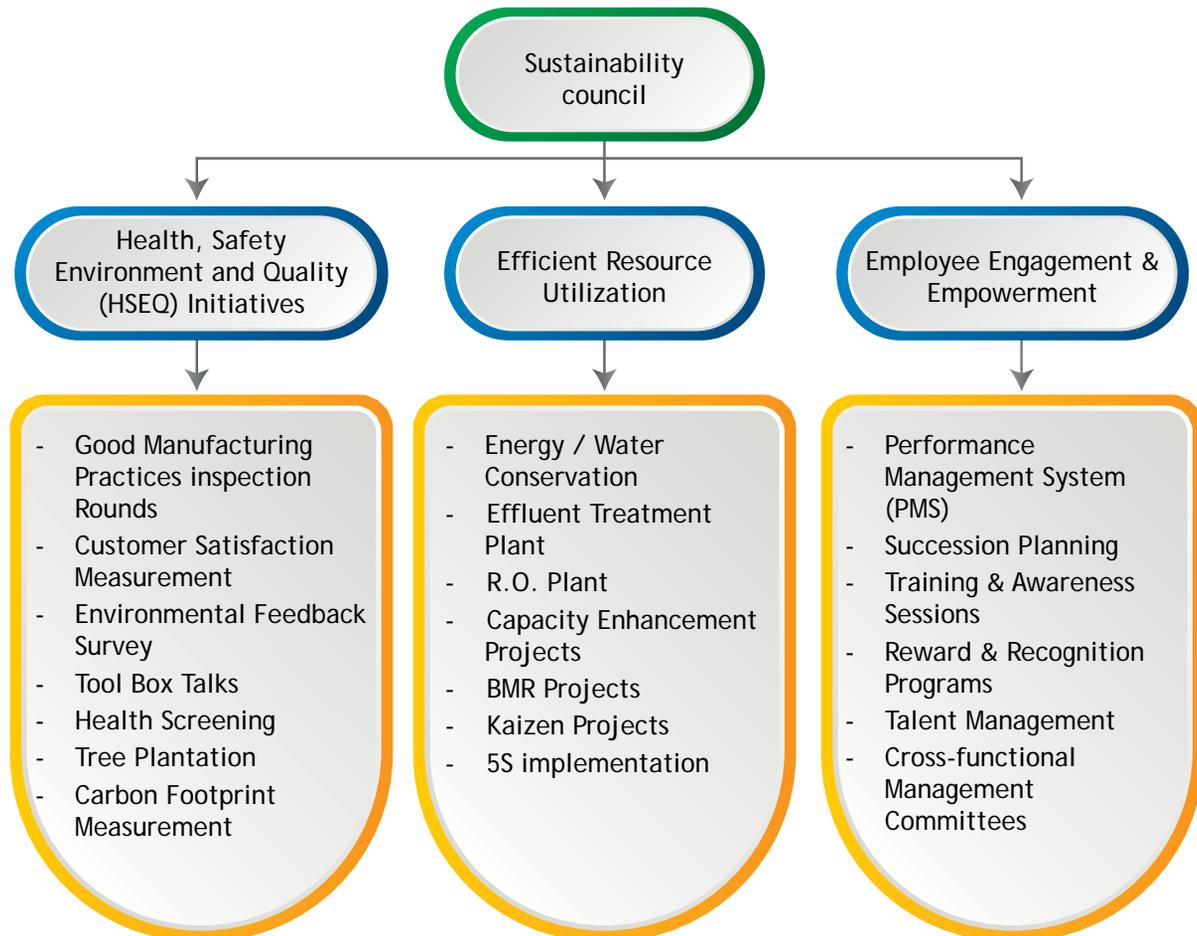
Achieve universal and equitable access to safe and affordable drinking water for all.

Improve water quality by reducing pollution, eliminating dumping, and minimizing release of hazardous chemicals and materials, having the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.

7. **Solid waste management** -Sustainable waste management is a key concept of the circular economy and offers many opportunities: Waste hierarchy, referring to the "3Rs rule" Reduce, Reuse and Recycle, waste prevention and minimization being the most desirable goal.
8. **Employee welfare** Motivating, engaging, and developing employees through coaching, mentoring, on-job training, job rotations, and project assignments ultimately resulting in higher productivity and retention. We support cancer patients who are unable to pay for medical treatments, copayments, or after care assistance that may not be covered in their normal health insurance.
9. **Reforestation** Tree planting has become a ubiquitous feature of the environmental zeitgeist, tree-planting that will helping to reverse decades of deforestation, drought and land degradation.

# SUSTAINABILITY FRAMEWORK & STRATEGY

Structure and Operation of the Sustainability Process at SPL



# SUSTAINABILITY FRAMEWORK & STRATEGY

## Sustainability Council

For assistance on strategic topics of sustainability and societal responsibility, the SPL Management has established a Sustainability Council in August 2021 (comprising a Senior Management team) to assist the Board of Directors in fulfilling its responsibility to keep its stakeholders abreast in context to the creation of Sustainability framework and implementation of the best sustainability practices of the organization.

The council acts independently, are not bound by instructions and have rights of information, consultation & initiative. The Council meets regularly with the Management as well as the employee representatives, and also exchange perspectives with the IMS team. The Council advises the company and makes recommendations as to what steps it considers necessary to become a provider of sustainable development.

The first meeting of the Council was held on August 11, 2021 that was chaired by the CEO. Performance against the Sustainability Objectives of the year FY2021-22 was analyzed in depth. All variances against the set targets were reviewed. For unfavorable variances, justifications/rationale were shared with the concerned departmental heads, where deliberation were held and targets for the current FY2022-23 were also discussed and finalized.

## Objective & Purpose

The main objective and purpose behind the formation of Sustainability Council is to ensure that the concept of sustainability gets truly embedded in the overall corporate strategy and culture of the organization. The Council would channelize and coordinate the sustainability factors to be embedded into business decisions, planning, and control.

## Composition of Council

The Council consist of following members:

Chairman	-	Chief Executive Officer
Secretary / Member	-	DGM(PP&C/IMS)
Members	-	All ExCom Members

## Scope

The Council's scope includes development, implementation, and monitoring the performance of the organization in terms of sustainable development practices encompassing all stakeholders throughout the Value Chain.

## Key Responsibilities of the Sustainability Council:

- To identify priority material issues across our value chain.
- To identify key stakeholders, determine approach and frequency of engagement, and the mechanism to address issues and concerns raised by the stakeholders.
- To define and establish Sustainability targets, key performance indicators (KPIs) in alignment with the prioritized material issues, for the financial year under review and measurement matrices for the next 5 years.
- To review and monitor organizational performance against the agreed sustainability KPIs and targets at regular intervals. To channelize, coordinate, and communicate strategies to all stakeholders including all levels of employees related to the Company's sustainable practices.
- To foster a conducive environment for introducing tools and technologies to reinforce the concept of Sustainability within the organization.

# SUSTAINABILITY FRAMEWORK & STRATEGY

## Sustainability Challenges of Pakistan (Brief outlook)

- Pakistan ranked 129th out of 165 countries in a recent Sustainable Development Goal (SDG) Index ranking, with an overall score of 57.7 percent, mainly for its progress on one of the 17 goals - climate action.
- In 2021, Pakistan was ranked 153th in the Global Gender Gap Index, and in 2020, it ranked 154th on Human Development Index, with 38 percent of its population living with multidimensional poverty.
- The Global Multidimensional Poverty index noted that Pakistan is comparable with Afghanistan, with one in every four persons living in severe poverty.
- Population growth remains one of the biggest challenges for Pakistan's development, with 60 percent of its population below the age of 25, and a fertility rate at 3.5 births per woman. Despite improved life expectancy, infant and maternal mortality remains high.
- Pakistan is also facing an energy crisis. This is not a recent issue - both domestic and industry users have suffered power shortages and blackouts for years.
- Despite the introduction of new varieties over the last two decades, cotton production in Pakistan has declined in recent years due to unfavorable weather, water shortages, and pest attacks.
- It has been estimated that various urban sectors convert 3,016 hectares of agricultural lands annually for urban uses in metropolitan Lahore, and if this rate doesn't slow down, by 2030 all agricultural land at the fringes of cities will be urbanized.
- Despite a democratic system and intermittent elections, the poor segments of society remain vulnerable and have little power to influence policies in ways that will help them out of poverty. The country ranked 137 out of 157 countries on its commitment to reduce inequality.
- Pakistan has major water shortages. It is ranked 14th out of 150 countries at high risk of water crisis. Water Aid notes that 17 million people in Pakistan lack access to clean water close to home and 70 million lack access to a decent toilet, the majority of them in rural communities.
- Despite growth in income, inflation remains above 12 per cent, raising the cost of staples. And even in the face of a higher unemployment rate of among the educated middle class in FY 2021-22, and increased wealth inequality.
- 21 percent of Pakistan's population is malnourished, 44 per cent of children under five years old have stunted growth, and 37 per cent of the population faces food insecurity, despite Pakistan being a major producer of wheat and rice.

## Contribution of SPL to achieve sustainability Goals - FY 2021-22

SPL has increased its focus on sustainable practices and reporting while producing quality products, reducing the environmental burden of its processes, engaging its stakeholders for their valuable inputs. The Company has devised strategies for inclusive growth and equal opportunities by providing sustainable returns to its shareholders, supporting its suppliers and contributing to socio-economic development.

# SUSTAINABILITY FRAMEWORK & STRATEGY

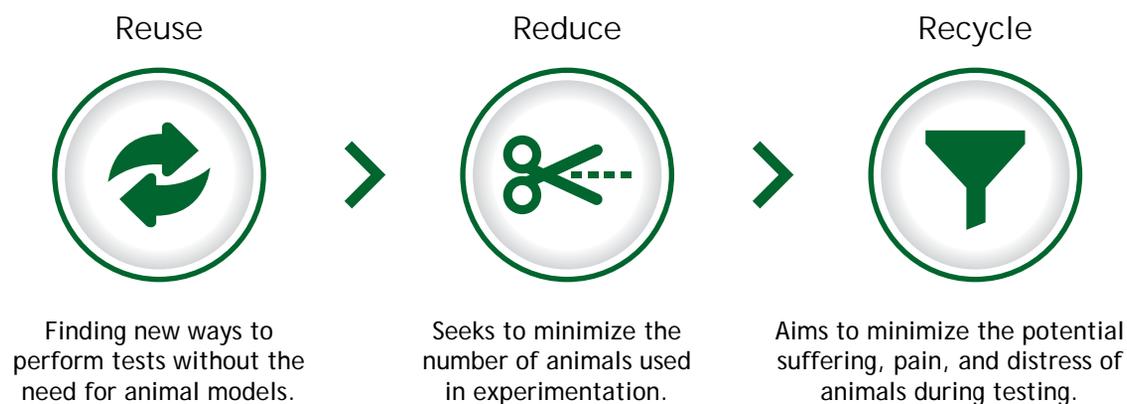
We have also identified opportunities in Water Recycling, Renewable Energy, Energy Conservation, Resource Utilization and Capacity Enhancement for bringing required improvements in production efficiencies that ultimately lead towards all interested parties satisfaction. New innovation and technological practices can reduce waste generation and improve the quality of the output.

We believe in investing in human capacity development for attracting and retaining talented employees. The Company aims to provide a workplace that generates equal opportunities for everyone in which people are treated with dignity & respect.

The engaged and empowered workforce ensures that processes and systems are aligned with 3R's approach (Reduce-Reuse and Recycle) in our day to day operations. This would create value in three spheres-The Environment in which we live, the Society in which we operate and the business we conduct.

We believe that continual improvement philosophy is the key to success for implementing sustainability strategy and framework in true letter and spirit.

# ABOUT SUSTAINABILITY REPORTING



At Security Papers Limited, Sustainability Reporting is identifying and communicating economic, social, and governance (ESG) goals – as well as progressing as an organization towards these factors. Associated benefits include improved corporate reputation, strengthened risk management, and enhanced customer satisfaction through implementation of best sustainability practices.

The Company has embedded continual improvement in every sphere of its operations by empowering our people, reducing our impact on the planet to deliver sustainable solutions to our customers. The Company has further developed our all-inclusive, holistic sustainability approach. It highlights how sustainability is mirrored in our product innovations with customer benefits, our supply chain, and the way the Company operates and how entities behave as an employer and member of the community.

## Scope

### Report Boundary

This report encompasses all of our core business and corporate functions at Security Papers Limited. The economic, social, and environmental data presented in the report depicts data pertaining to our Plant and Management operations and the Community in which we operate.

### Reporting Period

The timeframe represented by this report's financial details and information is July 1, 2021 to June 30, 2022. In order to include a more accurate picture of progress to date, additional data from the previous reporting cycles has been provided for comparison related to FY 2020-21, where applicable.

Date of Publication: October 05, 2022.

## Reporting Cycle

This publication marks the release of our sixth Sustainability Report that has been integrated into our Annual Report- 2022. We have worked diligently through well-established protocols and integrated processes that allow us to report annually. SPL began voluntary environmental reporting from 2009 to 2015 and from 2016 to the current 'Sustainability Report', and this remains an integral part of the Company's dedication to sustainable practices and transparency.

## Most Recent Report

Prior to this publication, the most recent Sustainability Report published by SPL was for FY 2020-2021.

## Restatement/Changes from prior period

SPL Sustainability performance has been aligned with the sustainability challenges of the country to report. Wherever found necessary; last financial years' figures have been regrouped/rearranged to conform to current FY data.

## Report Methodology

The data in the report is based on actual scientific calculation. However, where data is unavailable, estimation is used. Over time, data collection and measurement methods are applied consistently.

## Content

The contents are based on the results of our engagement with stakeholders such as Employees, Customers, Suppliers, Vendors, Shareholders etc., and GRI requirements: The report also cites UN SDGs which have been identified by the Pakistan Stock Exchange as relevant to business practices.

The material topics relevant to our stakeholders depicting significant impact of organizational activities on economy, environment, and society has been included in this report.

## Report Boundary

Report boundary has been determined based on the area where impact has occurred for a material topic and the organization's involvement with those impacts.

## External Assurance

Independent review of this report was conducted by Damsel Consulting (Pvt.) Ltd. in accordance with GRI Standards requirements and principles of inclusivity, materiality and responsiveness. A statement from the independent external reviewer is included at the end of this sustainability report, and outlines the scope of the assurance.

## Point of contact

We value your feedback. To share any feedback or comments pertinent to the Sustainability Report, please email us at: [sustainability.council@security-papers.com](mailto:sustainability.council@security-papers.com)

# MATERIALITY ASSESSMENT

## Materiality Process

Management believes that achieving sustainable development has been hampered by trade-offs in favor of economic growth over social well-being and ecological viability, since inclusive development as having three key dimensions (social, ecological, and relational inclusiveness).

Materiality is a key component of effective communication with stakeholders. Matters are considered to be material, if they, individually or in aggregate, are expected to significantly affect the economic, social, and environmental performance as well as profitability of the Company.

Materiality concept includes both qualitative and quantitative aspects. Assessing their importance provides a guide to strategically manage the risks and opportunities they represent. In addition to disclosure of all events/transactions required by law, the management has adopted a materiality approach for effective communication with all stakeholders. The purpose of the materiality assessment is to help to ensure our strategy to focus and to prioritizes on the issues that matter to our business and our stakeholders.

Management has adopted a materiality approach which is based on a combination of stakeholder engagement, understanding of environmental limits and strategic alignment. SPL determines its material issues while taking into consideration various factors such as the business activities of the organization, alignment with the Company's vision, values and strategic goals, company reputation, internal analysis, and past practices of the Company. Stakeholders' concerns and their feedback in the broader economic, social, and environmental context such as energy consumption, water availability, carbon footprint, emissions, effluents and waste, and climate change issues have also been given due weightage.

To support our annual materiality assessment, we conduct ongoing dialogue with our stakeholders, including suppliers, consumers and regulators. We also assess material issues based on their relevance to our strategic plans and objectives considering Corporate, Environmental and Occupational Safety & Health Risk Assessment and controls.

All significant actual and potential negative impacts on environment, society and economy in the supply chain are being taken into consideration and necessary corrective actions are taken in consultation with concerned stakeholders. Materiality levels would be reviewed periodically and appropriately updated in the agenda of the Sustainability Council meetings at regular intervals.

The results of the exercise are summarized in the table below as well as in the materiality matrix given in the next page. The matrix presents the topics in order of importance to the stakeholders vis-à-vis impact of our activities only and does not include information on any impacts of our customers or Supply Chain partners.

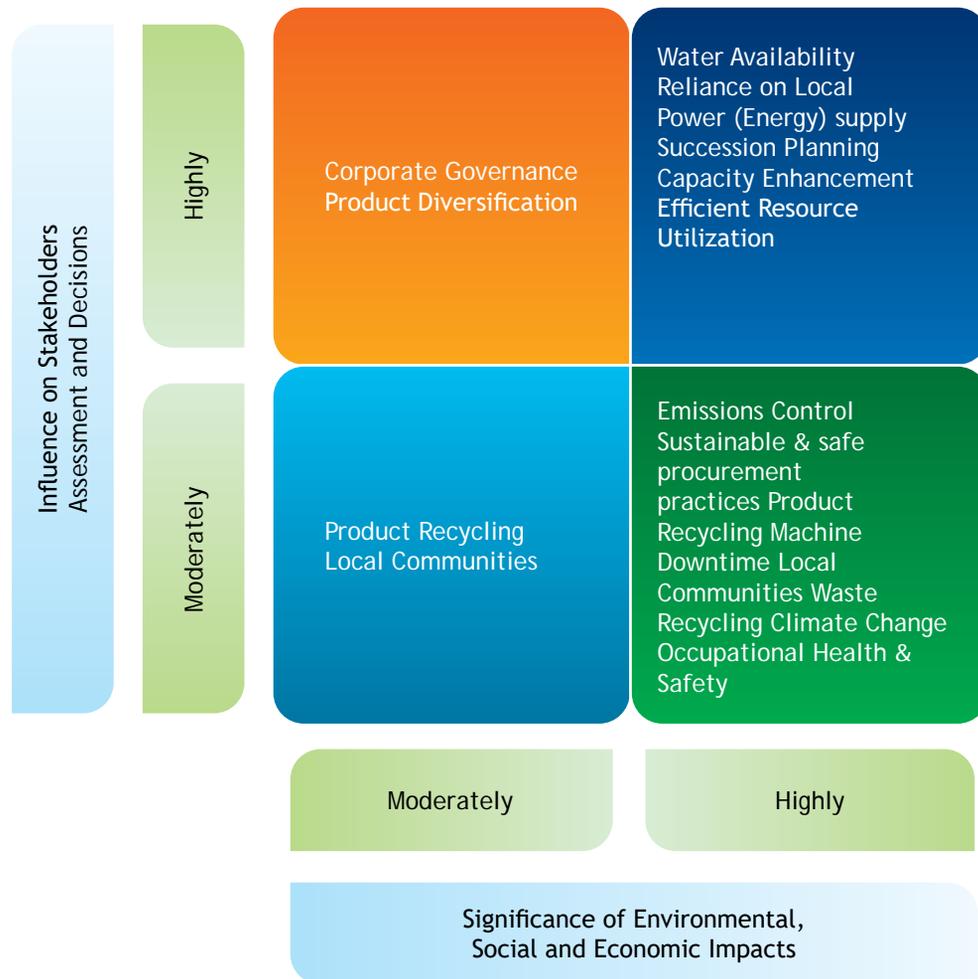
# MATERIALITY ASSESSMENT

## Materiality Matrix

Factor	Material Issue	Boundary (Within/Outside)
Environment (Ecological)	Water Availability	Security Papers Limited and local community
	Product Recycling	Security Papers Limited and local community
	Emissions Control	Security Papers Limited and local community
	Reliance on Local Power (Energy) supply	Security Papers Limited, its suppliers and local community
Social and well being	Non-discrimination	Security Papers Limited
	Local Communities	Security Papers Limited
	Training & Development	Security Papers Limited, its suppliers and local community
	Succession Planning	Security Papers Limited
	Occupational Health & Safety	Security Papers Limited, its service providers
Economic	Corporate Governance & Business Ethics	Security Papers Limited
	Efficient Resource Utilization	Security Papers Limited, its customers and other stakeholders
	Sustainable & safe procurement practices	Security Papers Limited, its suppliers
	Product Diversification	Security Papers Limited, its customers and other stakeholders
	Capacity Enhancement	Security Papers Limited, its customers and other stakeholders

# MATERIALITY ASSESSMENT

## Materiality Matrix



## MATERIAL ISSUES

### Results of FY 2021-22 Vs. Targets of FY 2021-22

Material Issues	Target Last FY 2021-22	Result FY 2021-22
Water Availability	10% increase in R.O. water (other than recycled water) for FY 2021-22 as compared to last year	Old RO (20,224,360 Gallons) (52%) Decreased New RO 30,465,090 Gallons (103%) Increased
Reducing reliance on local power supply	10% decrease in reliance on local power supply (K-Electric) through self-generation source	4310222 kwh (-81.59 % Decreased on K. E)
Training & Development	5% increase in Sustainability related training man-hours for FY 2021-22 as compared to last year.	13.1% increase in Sustainability related training man-hours for FY 2021-22 as compared to last year
Efficient Resource Utilization	1% reduction in process losses for FY 2021-22 as compared to FY 2019-20 (17.47%).	Process loss is 17.8% (0.78% decreased as compared to last year)
Emissions Control	600 metric tons of CO2 to be saved for FY 2021-22	787.69 metric tons CO2 saved
Occupational Health & Safety	Promote 100% accident-free environment and foster safety culture through implementation of continual improvement initiatives	3 minor accidents took place which have been investigated and corrective and preventive actions have been taken

# SUSTAINABLE DEVELOPMENT GOALS

## Illustrations



**Good Health & Well Being**



Health and Safety Awareness sessions



Breast Cancer awareness programme



**Quality Education**



CSR Activity for provision of Quality education to under privileged



In-house training session for Leadership GOAL FRAMEWORK



**Gender Equality**



Male & Female participation in training program on personal Grooming



Female workforce participation in basis firefighting session



**Clean Water and Sanitation**



Clean drinking water facility



Waste water treatment and recycling plant



### Affordable and Clean Energy



Solar System Power source



### Decent work and economic growth



Training on Code of Corporate Governance & Corporate reporting



Corporate briefing



### Industry Innovation and infrastructure



SPL official Visit to Egypt for new BIVIS Plant installation



Visit of Election Commission of Pakistan Official for production of Ballot Papers



### Responsible consumption and production



Extraneous contamination in raw material Training



Radiation Protection training by PNRA



Hazardous waste control measures



### Climate Change



Annual Environment Excellence Award rewarded by NFEH



Training on Climate change and Global warming

# SPL COMMITMENT TO THE SDGs

As highlighted by our sustainability strategy, we have integrated the UN's Sustainable Development Goals into our efforts for sustainable growth (Social, Ecological, and Relational inclusiveness) This section reflects how our organization is contributing to Pakistan's commitment to Agenda 2030. We have established a Sustainability Council with an objective to define and establish Sustainability targets, Key Performance Indicators (KPIs) in alignment with the prioritized material issues, for the financial year under review and measurement matrices for the next 5 years.

We will leverage the power of Organization to contribute to the global goals. Our commitments are a work in progress: we'll unite around these to ensure we play our part in delivering a thriving, sustainable future for the profession and for the Country, and we'll report our shared progress each year in SPL Integrated Annual Report.

We recognize the importance of all 17 interconnected SDGs. And collectively, SPL can make our most significant contribution towards the achievement of 9 of them.

Our sustainability performance against the given SDG targets will be used to set future goals and to drive both inclusive and sustainable value creation.

## UN Sustainable Development Goals



# MANAGEMENT APPROACH TO INCLUSIVE DEVELOPMENT

Security Papers Limited (SPL) aims to provide Inclusive Development through Social, Ecological and Relational means, which focuses on social and ecological aspects and a workplace that generates equal opportunities for everyone, and in which people are treated with dignity, respect and inequality. Through its various ongoing policies, SPL is committed to looking after all its employees irrespective of any discrimination in the form of gender, race, religion, caste, color or creed etc. To increase visibility and to improve brand image to its various shareholders and investors, the Management has laid a foundation that touches upon the company's corporate culture. Also recognizing the value of its human resources and extended supply chain, SPL invests in its employees' health and well-being, training and development and creates a working culture which upholds decent work and work-life balance. Furthermore, as a responsible organization, SPL is committed to job creation which is inclusive and provides the females, differently-abled persons and youth of the country with an opportunity to improve their livelihood skills, giving them an opportunity to become part of their workforce eventually and also enhance their standard of living.



### 3. GOOD HEALTH AND WELL BEING

- 3.2 By 2030, end preventable deaths of newborns and children under 5 years of age, with all countries aiming to reduce neonatal mortality to at least as low as 12 per 1,000 live births and under-five mortality to at least as low as 25 per 1,000 live births.

#### BUSINESS THEME

Healthcare insurance

SPL frequently organizes Health Awareness Sessions on various medical issues.

During 2021-22, total 72.5 training man-hours were devoted to health awareness addressing topics such as Dengue, Hypertension and Anemia.

The Company provided first aid and emergency medical care to its employees who become ill or get injured. These services are provided by Group Healthcare Insurance facility for all employees and their dependents, round the clock emergency First-Aid Services, and qualified medical consultant at factory premises as well as for residents of SPL Residential Estate.

A certified Medical Consultant at SPL conducts frequent medical screening examinations for all employees throughout the year.

SPL made every effort to maintain its employees' well-being. As a responsible business entity, the Company donated to institutions such as:

1. Healthcare and Social Welfare Association (HASWA): SPL sponsored 30 artificial limbs for their patients. In this regard an amount of Rs. 300,000/= was donated from CSR 2021-22 Budget.
2. Muhammadi Blood Bank & Thalassemia Centre is a non-profitable organization working with a mission to provide exemplary care in diagnosis, treatment and prevention of blood related diseases that are causing deaths every day in Pakistan. With subsidized blood banks situated all over Pakistan, they are also providing safe blood 24/7 whenever needed saving thousands of lives.

SPL Sponsored double blood bags for their registered patients for one month. In this regard an amount of Rs. 334,800/= was donated from CSR 2021-22 Budget.

- 3.4 By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.

#### BUSINESS THEME

Employee Benefits,  
Occupational Health & Safety

#### BUSINESS ACTION

Employees' physical and emotional health are also prioritized at SPL.

3 Employees have successfully become Lead Auditors for Occupational Health and Safety Management System (OHSMS) from SGS Pakistan (Pvt.) Ltd.

Employees also participated from different departments in Firefighting & First-Aid training conducted by Dr. Tariq Saif Ullah (External Civil Defense Trainer).

Employees and their families enjoy a play area facility at SPL Residential Estate.

The Company intends to arrange sports/recreational activities in the near future to improve the overall health of employees as soon as pandemic ends.

## BUSINESS THEME

Employee Benefits,  
Occupational Health & Safety

## BUSINESS ACTION

Medical examinations are usually conducted by SPL Medical Consultant for early detection of work-related medical illnesses so measures can be taken to prevent serious disability or other health hazards.

SPL offers Group Healthcare Insurance to its employees. The Group Healthcare Insurance Plan coverage includes not only employees but also their dependents including spouse, children and parents.

Madawa Welfare Society (MWS) has been providing education, training, therapy, and support to students having Down Syndrome, Cerebral Palsy and slow learning problems.

SPL's CSR Committee decided to sponsor 1 (one) for an entire academic year by granting Rs. 180,000.

### 3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

## BUSINESS THEME

Access to quality essential  
health and care services

## BUSINESS ACTION

SPL Medical Consultant arranged awareness sessions and also provides support and guidance to the employees diagnosed with COVID-19 positive cases.

HR & Admin. team members provide round the clock support and get daily updates of all suspected COVID-19 cases and update senior management accordingly.

SPL provided COVID-19 primary and booster vaccination facility to all its employees as well to avoid the spread of pandemic.

SPL conducts regular health examinations for executives. These examinations are conducted free of charge because early detection and treatment of illnesses reduce absenteeism, improve workplace productivity, and prevent long-term disability.

### 3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.

## BUSINESS THEME

Mitigate the health impacts  
of Hazardous Chemicals

## BUSINESS ACTION

Hazardous Chemicals involved in our production process includes H<sub>2</sub>SO<sub>4</sub>, HCl and NaOH. SPL being an environmentally compliant organization obtains NOC from Sindh Environmental Protection Agency for handling of Hazardous and Non-hazardous material every year and fully adhere to Hazardous Substance Rule 2014.

Strict safety precautions are taken in respect of the workforce deployed for handling hazardous substances.

All workers are thoroughly trained in safety precautions for handling hazardous substances and are being supervised by qualified supervisors.

Proper PPEs are made available for all workers. Water showers are available in these areas. A well-equipped First-aid facility is available supervised by trained staff under the supervision of qualified Medical Consultant.

Medical check-up of all workforce is carried out at the time of employment and subsequently undertaken at least once a year especially in any emergencies.

**BUSINESS THEME**

Mitigate the health impacts of Air, Water, Soil Pollution

**BUSINESS ACTION**

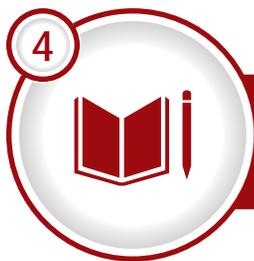
In order to mitigate the health impacts of air-borne contamination; Gur (Jaggery) is provided on a daily basis upon the recommendations of Medical Consultant to our workforce.

All stack, vehicular, and gas emissions are being monitored as per SEQS on quarterly basis by a SEPA certified lab for CO<sub>2</sub>, NO<sub>x</sub>, SO<sub>x</sub>, noise, and smoke.

SPL is compliant to ISO (45001, 9001 and 14001) standards. Solid hazardous waste is controlled at the point of generation and disposed off as per regulatory requirements. All scrap/salvage materials are stacked and categorized in hazardous and non-hazardous categories in designated area (Scrap Yard) through following proper record keeping procedures and handed over to a SEPA certified vendor as per established SOP of Scrap & Fixed Assets Disposal prepared in compliance with ISO 14001:2015 Management System. All legally compliant safety signs are placed at relevant locations.

To ensure safe drinking water, physicochemical and microbiological testing are carried out at regular intervals in compliance with SEQS.

Liquid Effluent discharge is monitored and tested in-house at suitable intervals, while the same is also tested on quarterly basis at SEPA certified laboratories in compliance of SMART Rule 2014 and SEPA Act 2014.



## 4. QUALITY EDUCATION

**4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.**

**BUSINESS THEME**

Employee Training and education

**BUSINESS ACTION**

HELPLINE is a NGO registered with Government of the Punjab and Economic Affairs Division, Islamabad, all donations given to the Helpline are income tax exempt. It is providing relief to the HAVE-NOTS of society for the last 20 years. They required Sewing Machines for the vocation training institutes of five Districts: Chaman, Nushki, Chagi, Nokundi and Marget of Balochistan.

SPL's CSR Committee decided to support them by providing them 100 Sewing Machines (Make Singer) for Rs. 1.2 million. In this way, SPL contributed to the improvement of education levels and socio-economic development in surrounding communities.

SPL also supported and contributed to the cause of women empowerment by. A separate clause is mentioned in our Recruitment Policy regarding minimum age limit for employment which states that the Company cannot appoint anyone less than age of 20 years.

Specialized training modules for Production & Mould Department has been designed with a focus on developing technical as well as Soft skills of employees.

Overall, 44 participants were trained externally and 1126 participants internally in 2021-22. Education loans are made available for employees.

During the year ,12 participants from various departments received core technical trainings from the most relevant and top-notch institutions like, SGS, PIM, NED UET, APPANAGE, Corvit System and KAIZEN Analytics.

**4.5 By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations.**

**BUSINESS THEME**

Equal Access to Training and Education

**BUSINESS ACTION**

SPL promotes a merit-based culture that inspires physically challenged persons by classifying itself as an equal opportunity employer and not discriminating against any socio-demographic category.

The Company contributes greatly towards the development of education as its social responsibility, and considers education as a fundamental right of every child.

Therefore, the Management proposed its augment Group Life Insurance Policy by adding ‘Group Pay Continuation Plan’ to assist the families of deceased employees immediately. SPL also supports the education of differently-abled children of employees through special grants under the head of Employee Welfare Fund Policy.

106 persons were facilitated through Employee Welfare Fund Scheme in 2021-22 amounting to PKR 2.61 million.

SPL team visit HASWA (Healthcare and Social Welfare Association) in the month of February 2022. HASWA set up the Artificial Limb Center in Karachi, in 2008 with the collaboration of Rotary Club of Karachi and the Jaipur Foot organization.

Over the last 13 years they have provided more than 21,000 Artificial Limbs and Calipers TOTALLY FREE OF CHARGE. Besides lower limb, they have also started providing upper limb prosthetics to patients who have lost their hand(s) in accidents.

SPL Sponsored 30 Artificial Limbs (Rs. 10,000/= per limb) for their patients. In this regard an amount of Rs. 300,000/= was donated from CSR 2021-22 Budget.

**4.7 By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture’s contribution to sustainable development.**

**BUSINESS THEME**

Education for sustainable development

**BUSINESS ACTION**

To promote a sense of contribution to sustainable development SPL is enhancing its sustainable focus towards strengthening relations with those vendors/ suppliers/ contractors who have the knowledge of core concepts of sustainable development. A consolidated Pre-Qualification/ Registration criterion is devised to assess the sustainability awareness and contribution of factors like pollution control, eco-friendly practices, emergency preparedness, OH&S culture, legal compliance, delivery capability, experience etc.

The Supply Chain Department in concert with IMS is revamping the selection and tender awarding process for External Service Providers. In this context, a comprehensive “Code of Ethics for Sustainable Business Practices of Security Papers Limited” and a Self-Assessment Scoring Report on Sustainability Factors (For Pre-Qualification/Registration of Suppliers/Contractors) will be enforced which will pave the way to promote understanding of service providers related to contribution to sustainable development, and promotion of human rights.

**BUSINESS THEME**

Education for sustainable development

**BUSINESS ACTION**

The Company has also engaged the services of reputable Consultant and Corporate trainers from industry to arrange both in-house and external trainings on best sustainability practices .Communication mechanism has been established and sustainability is promoted through various forums such as Training and awareness sessions, Departmental Meetings, Executive Committee Meetings, Management Review Council (MRC) Meetings, Corporate Newsletter and the Company website that has been recently revamped to showcase our Sustainability initiatives.

In addition, The Hunar Foundation (THF) requested sponsorship to equip/furnish an IT Lab at the Girls Campus (Saeeda Naseem Technical Institute), which is located within THF Korangi Complex in Korangi, Karachi.

SPL donated an amount of Rs. 3,000,000/= for the following items to the above organization and completely equipped the lab:

UPS . Laptops, LED Screen, Mouse, Headphones, Projector | Office Chairs, Tables, Air Conditioner, Accessories.

This amount will be utilized to equip/furnish an IT Lab at the Girls Campus (Saeeda Naseem Technical Institute), which is located within THF Korangi Complex in Korangi, Karachi.

SPL donated an amount of Rs. 3,000,000/= for the following items to the above NGO:

**COST OF SETTING UP IT LAB**

IT Lab Setup

Including: UPS ; Laptops; LED Screen; Mouse; Headphones; Projector ; Office Chairs; Tables; Air Conditioner; Accessories.



## 5. GENDER EQUALITY

### 5.1 End all forms of discrimination against all women and girls everywhere.

**BUSINESS THEME**

Gender Equality, Equal remuneration for women and men.

**BUSINESS ACTION**

SPL aspires to create a workplace that provides equal opportunities for all workforce and treats them with dignity and respect.

We inducted 4 permanent employees in ;2021-22, of which 1 is female.

## BUSINESS THEME

Non-discrimination, Economic Inclusion, Parental Leave.

## BUSINESS ACTION

It followed a non-discriminatory hiring approach that meets with all regulatory requirements. The Company celebrates International Women's Day which is a global day celebrating the social, economic, cultural and political achievements of women.

According to the **Sindh Maternity Benefit Act 2018**, a female employee may take maternity leave four weeks before her expected due date and twelve weeks after the delivery date.

An Iddat Leave to all married Muslim female employees for 4 months and 10 days with pay is given.

The Supply Chain Department ensures that all the suppliers/ contractors/ vendors/ service providers understand SPL Code of Ethics before being allowed to provide any service or product and abide by all applicable laws of land including Labor law, Factories Act and others.

Non-discrimination on the basis of gender, race, colour, caste, or creed is being followed under the Company's Recruitment Policy.

## 5.2 Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation.

## BUSINESS THEME

Workplace violence and harassment.

## BUSINESS ACTION

The complaint can be made orally or in writing through any of the following two approaches:

1. Informal approach - It has been observed that the employee's grievances generally result from minor misunderstanding(s) that can be resolved with proper counseling by the supervisor/ senior management. Therefore, the preferred way to settle the grievance is informal until the matter is of serious nature and requires thorough investigation.
2. Formal Approach - If an employee who has been directly harassed, or has witnessed or is affected by the harassment of others, has reported such conduct to his/her supervisor, peer or anyone immediately it may serve as witness for making the formal complaint. he/she may approach his/her supervisor, or directly to any member of the inquiry committee. There is also a female member on the inquiry committee. The Committee member approached is obligated to initiate the process of investigation. The supervisor facilitates the process and is obligated not to cover up or obstruct the inquiry. No harassment case has been reported until now.

Whistle Blowing Policy intends to provide a mechanism where employees can, without fear of reprisal, report illegal and unethical activities for pre-emptive remedial measures in a confidential manner. The Whistle blowing Policy is applicable to all employees for the reporting of any illegal or unethical activities that may harm the interests of the company and/or any stakeholder or external agency.

The whistleblower, who has observed any reportable illegal and/or unethical activities, may report his/her concerns to the Ethics Committee in writing on prescribed form (Appendix - 1) of Policy along with his identity and contact details. OR If a whistleblower desires to report an illegal and unethical activity committed by any member of the Ethics Committee, he/she shall communicate such concerns directly to the CEO.

There is a specific Code of Conduct and Discipline Policy to control any kind of behavior and the conduct of the employee that is detrimental to the Company or detrimental to the well-being of other employees of the Company.

- 5.4 Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate.

**BUSINESS THEME**

Childcare services and benefits, Work-life balance, Economic Performance

**BUSINESS ACTION**

SPL has an on-site daycare facility, and a total of 18 employees were using the facility with 20 kids being accommodated at the Daycare facility, before the outbreak of Pandemic.  
Due to COVID-19 Viral Disease, the Day Care facility is currently discontinued temporarily.

- 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.

**BUSINESS THEME**

Women in Leadership

**BUSINESS ACTION**

SPL uses succession planning as a unique method of providing a career path for its employees  
Currently, there are two females serving on the Board of Directors. 15 females are employed on permanent basis;



## 8. DECENT WORK AND ECONOMIC GROWTH

- 8.1 Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries.

**BUSINESS THEME**

Economic Performance, Economic Value

**BUSINESS ACTION**

The Company maintains a motivated workforce through consistent focus on them training and development. More than 100 (In-house & External) training sessions with 3300+ man-hours were delivered including a specialized training module for Production & Mould Department to enhance the technical as well as social skills of our workforce.  
SPL offers a merit-based pay increase to its workforce on an annual basis.  
Apprenticeship programs are in the pipeline.

**8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.**

**BUSINESS THEME**

Economic Inclusion, Inclusive Business.

**BUSINESS ACTION**

The ratio of outsourced workforce in 2021-22 was 39% females and 61% male workforce approximately.

Average hourly earnings of managerial staff are Rs.1199/- approx. and of non-managerial staff Rs. 323/- approx. for 2021-22.

We have a defined Recruitment, Selection and Placement Policy. Till date, all senior management has been inducted from the local community from various areas of the country. To create transparency, a recruitment portal has been created which is available on the Company website and all new recruits are being inducted through the same portal.

In order to improve business activities, involve all employees and to reduce or eliminate waste and redundancies, Kaizen culture was promoted throughout the Organization to foster a positive and conducive work environment and to drive results from synergistic team building process that ensures equal representation from officers as well as staff and workers at all levels.

A total of 20 KAIZEN projects have been successfully implemented in the organization. Performance of each individual against the accomplishment of KAIZEN Projects has been linked with the Annual Performance Appraisal System during the FY 2021-22.

**8.4 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.**

**BUSINESS THEME**

Diversity & equal opportunity, Employment.

**BUSINESS ACTION**

Minimum wage paid to the employees is Rs. 25,000 per month that is in compliance with the legal requirement.

No fatal incident was reported during the year.

3 non-fatal incidents have been reported during 2021-22. Classification by Gender includes Male: 66.63% & Female: 33.33%.

SPL is fully compliant with the laws of land pertaining to labor rights based on national and provincial rights.

The Company promotes equal employment opportunity and prohibits discrimination on any ground. Currently, SPL has 6 differently abled employees and promotes diversity and better team cohesion at the workplace.

## WORKFORCE STRENGTH BY GENDER, AGE GROUP & TYPE

Age Group	No. of Employees						
	Officer		Worker / Staff		Contractual		Total
	Female	Male	Female	Male	Female	Male	
In year							
20-30	1	2	1	10	0	0	14
31-40	6	24	3	42	0	0	75
41-50	0	35	1	76	0	0	112
51-60	0	19	3	76	0	0	98
>60	0	0	0	0	0	3	3
<b>Total</b>	<b>7</b>	<b>80</b>	<b>8</b>	<b>204</b>	<b>0</b>	<b>3</b>	<b>302</b>

## INCIDENT SUMMARY WITH RESPECT TO GENDER/CATEGORY

3 MINOR NON FATAL INCIDENTS TOOK PLACE FY 2021-22

	No. of Incidents		No. of Employees	
Incident affecting male workforce	2		66.67%	
Incident affecting female workforce	1		33.33%	
Incident affecting property/equipment	0		0	
<b>Total</b>	<b>3</b>		<b>100%</b>	



## 6. CLEAN WATER AND SANITATION

**6.1** By 2030, achieve universal and equitable access to safe and affordable drinking water for all. 6 support and strengthen the participation of local communities in improving water and sanitation management.

### BUSINESS THEME

Access to water

### BUSINESS ACTION

SPL provides its workforce with clean drinking water in all areas including its Residential Estate areas. In this context, a direct line is provided from the new R.O. Plant containing Ultra-Filtration Modules to the Estate inhabitants that will be regularly tested as per SEQS standards.

SPL is committed to promote the sustainable use of water while employing solutions that enable comprehensive reductions in domestic waste water and aims to make water use more sustainable on a broader scale.

**6.2** By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations.

### BUSINESS THEME

Access to WASH

### BUSINESS ACTION

To ensure adequate and equitable sanitation and hygiene for the entire workforce, our Administration team maintains vigorous monitoring of washing areas by maintaining checklists that are also randomly verified by the IMS team through its Good Manufacturing Practices (GMP) Round Observations. To combat COVID-19 Pandemic challenges, management focus was on ensuring hygiene especially of washrooms in accordance with Sindh Factories Act 2015.

Adequate supply and usage of liquid sanitizers, disinfectant sprays, liquid handwash was ensured specially in critical areas such as Change rooms, Canteen, Entry and Exit Gates, Prayer and Kitchen areas and wash rooms.

For maintaining housekeeping 5S system implementation was made in true letter and spirit throughout the identified 19 blocks in factory premises that speaks volumes of our Management commitment towards ensuring sustainable process of hygiene and cleaning.

**6.3** By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, having the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.

### BUSINESS THEME

Water recycling and reuse

### BUSINESS ACTION

Out of total 146.3 Million gallons of water 51.98 million gallons had been recycled which accounts for 35.5 % of the reduction in total waste water.

Final discharge to municipal water is closely monitored and periodically tested to ensure full compliance with SEQS. Overall water consumption has decreased from the previous year. Water consumption per ton of paper produced has decreased by 52.01 % for the year 2020-2021 to 2020-2022 due to water efficiency initiatives such as recycling. Current water consumption is at 217.75 million gallons and is sourced from KWSB, water tankers, and the RO Plants.

## BUSINESS THEME

Waste water

## BUSINESS ACTION

Liquid effluent is treated in an Effluent Treatment Plant that is operated through Standard Operating Procedures. Both in-house and external testing are being carried out to comply with the National Standards. The final environmental hazardous properties of effluents are controlled periodically and ensured to comply with SEQS before final discharge.

**6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.**

## BUSINESS THEME

Water efficiency

## BUSINESS ACTION

To enhance raw water availability for the Reverse Osmosis plant, a new bore of 1300 ft. depth has been drilled. After successful commissioning, it has yielded 100,000 GPD water. -12.1% reduction in water used per ton of paper made was achieved against the target of 2%.

## WATER CONSUMPTION BY SOURCE

	2021-22	2020-21	VARIANCE
Source	Gallons (000)	Gallons (000)	Gallons (000)
KWSB	143,901.500	146,029	-2,127.5 (-1.4%)
RO Plant (OLD +NEW)	52,508.695	57,466	-4,957.3 (- 8.6%)
Water Tankers	21,346.302	41,379	-20,032.6 (-48.4%)
<b>Total Gallons</b>	<b>217,756.497</b>	<b>244,874</b>	<b>-27,117.5 (-11.0%)</b>

	2021-22	2020-21	VARIANCE
Total Paper Finished (tons)	4,187.17	4,138.3	+48.87 (+1.18%)
Gas Consumption (Cubic Meters)	(1,731,521 +162,264) =1,893,785 m <sup>3</sup>	2,251,828	-358,043 (-15.9%)
Resource per unit of finished production (cm <sup>3</sup> /ton)	413.53	544.14	-130.61 (-24.0%)
Water Consumption (million gallons)	217.8	244.9	- 27.1 (-11%)
Resource per unit of finished production (gallons/kg)	52.016	59.2	-7.18 (-12.1%)
Water Saved for (million gallons)	51.98	17.8	+34.1 (+ 191.5%)
Electricity Consumption (Kwh)	Co-generation plant = 18,333,500 Kwh K. E=972,397 Kwh	14,022,500 K.E = 5,282,619 Kwh	+4,311,000 (+30.7%) -4,310,222 (-81.59%)
Resource per unit of finished production (Kwh /ton)	4,610.72	4664.9	-54.18 (-1.16%)



## 7. AFFORDABLE AND CLEAN ENERGY

**7.1** By 2030, ensure universal access to affordable, reliable and modern energy services.

### BUSINESS THEME

Modern Energy Services

### BUSINESS ACTION

Inverter drives installed for new Refiners and Vacuum pump (VP3) which are more reliable and energy efficient than the conventional electrical system.

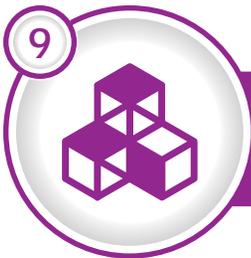
**7.2** By 2030, increase substantially the share of renewable energy in the global energy mix.

### BUSINESS THEME

Renewable energy

### BUSINESS ACTION

A 10 KW solar project has been installed. This will address 0.3% of the total load.



## 9. INDUSTRY, INNOVATION, AND INFRASTRUCTURE

**9.4** By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

### BUSINESS THEME

Environmental investment

### BUSINESS ACTION

order to strengthen the roof of chemical stores PKR 2 million has been allocated to replace GI sheets with Polycarbonate sheets.

In order to avoid hazardous Asbestos sheets of oil stored to be replaced by GI sheets, PKR 2.5 Million has been allocated for this purpose.

### BUSINESS THEME

Infrastructure investments

### BUSINESS ACTION

Various initiatives have been taken to up-grade infrastructure which broadly covers:

- To increase energy mix from a more reliable and cost-effective source of Energy and green energy.
- Enhance raw water availability.
- Improve product quality via increasing control on factors impacting the quality
- Expansion in raw material storage capacity to avoid interruptions while minimizing variations in cost of material.

## BUSINESS THEME

Resource-use efficiency

## BUSINESS ACTION

See SDG 6, 7, and 12 for further details on water, energy, and production respectively.

To nurture the culture of continual improvement and collaborative working; the concept of “Kaizen” has been embedded into the KPIs of each individual Officer. At least one Kaizen Project had to be executed by each individual while working in cross-functional teams. Over 20 Kaizen Projects had been successfully completed. Details of Capital projects are mentioned in the given table:

## VALUE OF INVESTMENT FOR SUSTAINABILITY PROJECTS

Completed Projects	2021-22(in PKR)
Installation of Cooling Towers	Rs. 23,230,476
Up gradation of winder Machine	Rs.5,500,4500
Installation of 100 KW Diesel Generator	Rs.5,835,057
Solar Energy Projects 10 KW Diesel Generator	Rs.1,342942
Installation of new Refiner series	Rs. 118,000,000

In-Progress Projects	2021-22(in PKR)
Construction of Comber store of 9600 sq. Ft.	Rs. 50 million
Installation of Cargo lift for New Rag store	Rs.18,349,000
Up gradation of Mahlo Scanner	Rs.2,204,738 (Euro 8998.93)
Installation of High-pressure cleaning Pumps for newly installed Chests	Rs.7,580,611 (Euro 30,941.271)
Solar Energy Projects 40 Kw	Rs.4,436,637.321



## 12. SUSTAINABLE CONSUMPTION AND PRODUCTION

**12.2** By 2030, achieve the sustainable management and efficient use of natural resources.

### BUSINESS THEME

Energy efficiency

Water efficiency  
Water quality

### BUSINESS ACTION

See SDG 7 for initiatives on energy efficiency and energy consumption Inverter drives installed for new Refiners and Vacuum pump (VP3) which are more reliable and energy efficient than the conventional electrical system.

A 10 KW solar project has been installed. This will address 0.3% of the total load.

See SDG 6 for initiatives on water efficiency and waste water.

**12.4** By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.

### BUSINESS THEME

Environmental management system

Air quality

### BUSINESS ACTION

The Management is responsible for the safe operations of its manufacturing facilities and handling of hazardous chemicals and to control their release into air, water and soil in an environmentally friendly manner. Environmental feedback survey is also conducted every year from neighboring communities to identify quality issues pertaining to our surrounding Environment that may have the potential for causing adverse impact on our Community.

Audit of ISO 14001:2015 Certification on Environment Management System is conducted by SGS Pakistan (Pvt.) Ltd. on an annual basis that assesses our environmental protection performance.

A document titled “Aspect/Impact Analysis Report” has also been developed for conducting environmental risk assessment and controls duly reviewed and vetted by Certified SEPA Consultant.

Emissions into the air are monitored at the source point every quarter in accordance with the SEQs. Ash sampling and analysis is undertaken on an annual basis through Certified SEPA lab.

## 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

## BUSINESS THEME

Waste management

## BUSINESS ACTION

Scanned copies of notices / circular etc. via official HR email are circulated along with text messages for immediate flow of information. It has reduced paperwork, which ultimately results in cost / waste reduction. MIS based (Automated) Performance Management and Leave Management System are in operation.

SPL has its own scrapyards where hazardous and non-classified materials are managed in accordance with the international agreements signed by the Government of Pakistan. Hazardous waste is controlled at the point of generation and disposed of as per regulatory requirements.

## EFFLUENT AND WASTE

Waste Category	2021-22	Unit	2020-21
Dry Batteries	0	Nos.	11
Different Auto Spare with Filters	1	Lot	1
Monitors Unserviceable	0	Nos.	3
Printer Unserviceable	0	Nos.	6
Computer Accessories	0	Lot	1
Electrical Scrap & Different Spare	0	Lot	1
Oil Used Large Drums	0	Nos.	12
Oil Used Small Drums Mixed	2	Nos.	2
Batteries Different type Liquid	0	Nos.	21

Waste Water	2020-21	2021-22	Variance %
Total waste water (000, Gallons/year)	126,520	146,300 (146.3 MG)	15.98
Total waste water per ton of per unit of finished production (000, Gallons/ton)	30.5	35.5%	16.39
Water recycled -After commissioning of ETP (000, Gallons)/ month	2625	51,563.15	63.69

Paper Waste	2020-21	2021-22
Total waste in tons (Paper and Pulp)	895	846
Total waste of Paper and Pulp per unit of finished production	0.205	0.202
Variance in %	- 1.46 %	
Total recycled paper waste (tons)	251	273
Total recycled paper waste per unit of finished paper	0.057	0.065
Decrease in % for total recycled paper waste per unit of finished production	-14.03%	



## 13. CLIMATE ACTION

13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

### BUSINESS THEME

GHG emissions

### BUSINESS ACTION

In the year 2021-2022 total 4,166.33 metric tons of CO2 were recorded based on electricity and gas consumption which is -15.9% lower than previous year.

- Currently, more than 500 trees of various categories are available offsetting 7 metric tons of CO2 per year.
- To increase plantation by 5% has been taken up as a sustainability objective for 2022-2023
- A project to recover the thermal energy of generator jacket water in heating up boiler water for steam generation has been completed, thereby leading to saving of more than 15% CO2 from 2nd cycle of generator set.

### BUSINESS THEME

Environmental award

### BUSINESS ACTION

Security Papers Ltd received the 18<sup>th</sup> Annual Environmental Excellence Award from the National Forum for Environment and Health-NFEH in September 2021. The award was given in recognition of the Company's vision and effective implementation of its Environmental Management System and policies, Followed by a thorough review of the Company's submitted documents and testimonials by the distinguished NFEH Panel of Jury.



### BUSINESS THEME

Tree plantation Award

### BUSINESS ACTION

The company received 18<sup>th</sup> Annual Environmental Excellence Award from the National Forum for Environment and Health-NFEH in September 2021. The award was given in recognition of the Company's vision and effective implementation of its Environmental Management System and policies, followed by a thorough review of the Company's submitted documents and testimonials by the distinguished NFEH Panel of Jury



**BUSINESS THEME**

Risk assessment

**BUSINESS ACTION**

An Aspect Impact Analysis Report, IMS Risk Register, and Business Continuity Planning Manual has been developed to ensure that climate change impacts are controlled and do not interfere with business operation continuity. These guidelines are reviewed and updated on a bi-annual basis. The report involves assigning controls for the risks identified against each environmental aspect in the organization. The plan covers climate related and natural disasters including epidemics, earthquakes, fires, floods, cyclones or other such storms, power outages, water supply interruption or contamination, and chemical spills.

**BUSINESS THEME**

Resilience

**BUSINESS ACTION**

In our Business Continuity Planning Manual, plans and actions have been set in place to deal with physical or infrastructural emergencies by ensuring the on-site presence of chemical spill kit, fire-fighting mechanisms, sand-bags, and battle box.

**BUSINESS THEME**

Climate resilient Supply Chain

**BUSINESS ACTION**

To enhance the capacity of Plant in terms of maintaining minimum raw material's stock level throughout the fiscal year; a capital project titled "Expansion of Raw material Store" is underway. This expansion would enhance the capacity by 450-500 tons for comber storage (which is the basic raw material and most sensitized to climatic conditions) with the estimated budget of 50 million. The project caters for highly effective utilization of land as we plan to have additional floors built over the existing infrastructure. The completion of this project would provide us an additional cushion of 33 days of our production capacity.

Such strategies enhanced resilience against climate related hazards and natural disasters. The adoption of this strategy also ensures consistent per unit cost to cope-up with the challenging COVID-19 situations in which supplies remain at halt for longer periods of time. Due to these precautionary measures, no interruptions were faced during the current pandemic because of unavailability of raw material.

**BUSINESS THEME**

Investment in environmental protection and resilience

**BUSINESS ACTION**

Various initiatives such as reducing reliance on water from local sources by establishing R.O. and water recycling plants, and lowering dependency on grid energy supply through in-house arrangements have been taken.

Co-Generation Plant with heat recovery facility that complies with the NEQS.

During heat waves, employees are provided with hydration supplements to ensure that they are protected from dehydration. For the wider community just outside the factory premises, SPL sets up heat stroke relief camps, cold water dispensers and shades.



## 13. CLIMATE ACTION

13.2 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

### BUSINESS THEME

Training & Awareness

### BUSINESS ACTION

A series of training and awareness sessions are held for all levels of employees to ensure alignment of the Sustainability objectives with business actions.

### BUSINESS THEME

Waste management

### BUSINESS ACTION

The concept of 3Rs (Reduce-Reuse-Recycle) has been inculcated into the workplace through cross-functional team efforts such as Kaizen and 5S system implementation throughout the organization. The most fascinating examples are;

1. Waste wood has been used in reconstruction of packing boxes for finished goods for customers of Gujranwala Board of Intermediate and Secondary education, one of our customers.
2. New office room has been constructed at the new RO Plant with waste material.

### BUSINESS THEME

Strategy

### BUSINESS ACTION

The Company has a well-defined documented sustainability objective developed by relevant stakeholders duly reviewed and vetted by the CEO. These objectives are implemented across the organization. Company-wide Sustainability objectives aligned with the company's wider targets have been incorporated into employee KPIs for the current 2022-2023.

Training & Education

Climate Awareness training topics such as water conservation, energy conservation, heat stroke awareness, climate change, and emergency response procedures would be included into the Annual Training calendar for FY 2022-2023.

Institutional capacity building

SPL produces security paper products that are the most flammable of all papers. Therefore, to ensure the protection of finished products, raw materials, and all auxiliary materials, including fixed assets, and the safety of its employees/workers, up-gradation of the New Fire Hydrant & Fire Sprinkler System has been undertaken to protect against fire hazards.

Fire detection systems are designed to detect early fire; therefore, evacuation can take place before the fire spreads to other areas of the building. Early detection also plays a critical role in responding to emergencies.

Mitigation and adaptation

All Company owned vehicles are serviced regularly through a reputable service provider. Emissions monitoring is being done on a quarterly basis.

Detailed survey has been conducted out at regular intervals to identify the critical areas with respect to monsoon season. Waterproofing of all vulnerable roof areas have been carried out as per survey to ensure safety of plants and material.

## BUSINESS THEME

Tree plantation Drive

## BUSINESS ACTION

National Forum for Environment & Health (commonly known as NFEH) is a Non-Governmental, Non-Profit and Voluntary Organization registered under the Voluntary Social Welfare Agencies Ordinance 1961, with an aim to facilitate, promote and help create environmental, healthcare, and educational awareness among masses. NFEH also grants awards to the prominent organizations who have performed exceptionally for environment preservations and health protection.



A senior delegation comprising of Mr. Muhammed Naem Qureshi-President, Mr. Nadeem Ashraf-Vice President, Mrs. Ruqiya Naem- Secretary General and Mr. Mustafa Tahir- Project Manager visited Security Papers Ltd. on Monday, August 16, 2021, for a Tree Planation Drive upon the invitation of our Management. The delegation was very warmly received by the senior officials from IMS as well as HR & Administration Departments.



Mr. Khalid Farooque, Chairman Horticulture Committee at SPL briefed that the Gulmohur plant also known as Flame Tree was selected as it is mainly grown for its shade and ornamental value. Because of its hardy nature and aggressive root system, it is a good tree to control soil erosion in the arid and semi- arid areas. Due to scarcity of water in Karachi; the tree is also ideal for plantation as it does not require huge amount of water unlike other plants. Goldmohur is well known for its beautiful flowers. It also has some medicinal properties.



The NFEH team was pleased to participate in the plantation activity. The delegation praised our Management team for taking this initiative and also offered its services for engaging in plantation activity at SPL Residential area for future.

The NFEH team also presented a shield as a token of goodwill and appreciation gesture to Mr. Q.S. Imran Azam, General Manager Integrated Management System for leading this event on behalf of SPL. Mr. Azam thanked the NFEH delegation team for taking time out to make this a significant event and urged to maintain long term relationships in the future. He also appreciated the cross functional teamwork of Administration, Supply Chain, Civil Engineering, Security Control, and IMS Departments for making excellent arrangements for the event.



Refreshments were also served at the end of the program to the NFEH Delegation.

## CARBON FOOT-PRINT GENERATED FROM DIRECT GAS AND ELECTRICITY CONSUMPTION

Description	2021-22	2020-21	Variance in %
Carbon foot-print generated from Gas Consumption (metric tons)	4,166.33	4,954.02	-15.9%

# GRI CONTENT INDEX

Organization Profile		
GRI Disclosure	Reference	Page #
Disclosure 102-1 Name of the organization	Annual Report 2022 The Company Profile	5-6
Disclosure 102-6 Markets served	Annual Report 2022 Primary Products	
Disclosure 102-7 Scale of the organization	Annual Report 2022-Note 37 for number of employees. Analysis of financial Statement for net revenues, total capitalization, quantity sold, total assets and other analytical data significant to the company and its stakeholders.	193 118-123, 125-128
Disclosure 102-2 Activities, brands, products, and services	Annual Report 2022 Primary Products	6
Disclosure 102-3 Location of headquarters	Annual Report 2022 -Geographical Presence (The Company Profile)	7
Disclosure 102-4 Location of operations	Annual Report 2022 Geographical Presence (The Company Profile)	
Disclosure 102-8 Information on employees and other workers	Sustainability Report 2021-22 SDG 8.4 - Workforce Strength by Gender, age group and type	230
Disclosure 102-9 Supply Chain	Annual Report 2022 Business Model and Value Chain Analysis, SWOT Analysis, Significant factors affecting external environment, Competitive 58-60 landscape and Market Sustainability Report 2021-22 SDG #5 Gender Equality Materiality Assessment	59-61 62-63 227
Disclosure 102-10 Significant changes to the organization and its Supply Chain	Annual Report 2022 for Board and Committee changes Sustainability Report 2021-22-Stakeholders Relationship Engagement Education for Sustainable Development	261
Disclosure 102-11 Precautionary principle or approach	Annual Report 2022 -SWOT Analysis Companywide Risk Management Program, Enterprise Risk Management Process, Risk & Mitigation Strategy	60 44 102-107
Disclosure 102-12 External initiatives	GRI Standards for Sustainability Report	242

## Organization Profile

GRI Disclosure	Reference	Page #
Disclosure 102-13 Membership of associations	The Company has memberships with Management Association of Pakistan (MAP), Karachi Chamber of Commerce & Industry (KCCI)  CDC, Employee Federation of Pakistan (EFP) and Center of Excellence in Responsible Business (CERB)	56-58
Disclosure 102-14 Statement from senior decision-maker	Annual Report 2022- Chairman's Review	35-36
Disclosure 102-15 Key impacts, risks, and opportunities	Business Model and Value Chain Analysis, SWOT Analysis, Significant factors affecting external environment, Competitive landscape and Market SWOT Analysis  Companywide Risk Management Program, Enterprise Risk Management Process, Risk & Mitigation Strategy	59-64 102-107

## Ethics and Integrity

GRI Disclosure	Reference	Page #
Disclosure 102-16 Values, principles, standards, and norms of behavior	Annual Report 2022 Core Values, Company's Policies such as: Code of Ethics & Business Practices, Whistle Blowing Policy, Conduct & discipline Policy, False Declaration Policy	17 72 74, 82, 228
Governance Disclosure 102-18 Governance structure	Annual Report 2022 Corporate Governance	73-90
Stakeholder Engagement Disclosure 102-40 List of stakeholders groups	Sustainability Report 2021-22-Stakeholder Engagement	261
Economic Performance Disclosure 201-1 Direct economic value generated and distributed	Annual Report 2022 Statement of Value Addition and its Distribution	114
Disclosure 201-4 Financial assistance received from government	Not Applicable	-
Disclosure 102-45 Entities included in the consolidated financial statements	Annual Report 2022 Security Papers Limited	5

## Ethics and Integrity

GRI Disclosure	Reference	Page #
<p>Disclosure 102-46 Defining report content and topic Boundaries</p> <p>Disclosure 102-47 List of material topics</p> <p>Disclosure 102-48 Restatements of information</p> <p>Disclosure 102-49 Changes in reporting</p> <p>Disclosure 102-50 Reporting period</p> <p>Disclosure 102-51 Date of most recent report</p> <p>Disclosure 102-52 Reporting cycle</p> <p>Disclosure 102-53 Contact point for questions regarding the report</p> <p>Disclosure 102-54 Claims of reporting in accordance with the GRI</p> <p>Standards Disclosure 102-56 External assurance</p>	Sustainability Report 2021-22 about Sustainability Reporting	213
Disclosure 102-55 GRI content index	<p>Sustainability Report 2021-22</p> <p>SDG # 8 Decent work &amp; Economic Growth (Theme-Diversity &amp; equal opportunity, Employment)</p>	229
Disclosure 203-1 Infrastructure investments and services supported	<p>Annual Report 2022</p> <p>Disclosure 203-1 Infrastructure investments and services supported</p> <p>SDG #9 Industry Innovation and Infrastructure</p> <p>Corporate Governance: Board of Directors and Committee Meetings</p> <p>Sustainability Report 2021-22</p> <p>(Theme-Infrastructure in SDG # 7 Affordable and Clean Energy</p> <p>(Value of investment for Sustainability Projects investments)</p>	234
GRI 204: Procurement Practices	<p>The Company has a Purchase Manual that caters for procedures of obtaining the best quality services and products from the vendor at lowest cost which in turn enables the Supply Chain to prefer the local suppliers wherever applicable.93% of our suppliers are based locally.</p> <p>Sustainability Report 2022 SDG-4.7 Risk &amp; Mitigation Strategy</p> <p>(Commercial and Operational Risks)</p>	226

## Ethics and Integrity

GRI Disclosure	Reference	Page #
GRI 205: Anti-corruption	Annual Report 2022 Core Values Related -Party Transaction Policy Conflict and Interest Policy Risk Management Framework SDG-5.2 Conduct & Discipline Policy Communication & Disclosure	228
Disclosure 301-1 Materials used by weight or volume	Cotton comber is used by weight. Sustainability Report 2021-22-Sustainability Performance Highlights 2021-22	206
Disclosure 302-1 Energy consumption within the organization	Sustainability Report 2021-22 SDG # 7 Affordable and Clean Energy	234
Disclosure 303-1 Water withdrawal by source	Sustainability Report 2021-22 SDG # 6 Clean Water and Sanitation	232
Disclosure 305-1 Direct (Scope 1) GHG emissions Disclosure 305-2 Energy indirect (Scope 2) GHG emissions Disclosure 305-3 Other indirect (Scope 3) GHG emissions	Sustainability Report 2021-22-SDG # 13 Climate Action,	238
Disclosure 305-5 Reduction of GHG emissions	Sustainability Report 2021-22-Sustainability Performance Highlights 2020-21 SDG-13.1 GHG emission under Climate action	206, 238
Disclosure 306-1 Water discharge by quality and destination	Sustainability Report 2021-22- SDG #12 Sustainable consumption & Production	236
Disclosure 306-2 Waste by type and disposal method	Sustainability Report 2021-22- SDG #12 Sustainable consumption & Production	226
Disclosure 401-3 Parental leave	Sustainability Report 2021-22- SDG#5 Gender Equality (Theme- Equal remuneration for women and men. Non-discrimination, Economic Inclusion, Parental Leave),	227
Disclosure 402-1 Minimum notice periods regarding operational changes	One Month's notice period is to be served by employee after approval of resignation as per Company Policy SDG 5.1 Gender Equality	221
Disclosure 403-1 Workers representation in formal joint management-worker health and safety committees Disclosure 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities Disclosure 403-3 Workers with high incidence or high risk of diseases related to their occupation	Sustainability Report 2021-22 SDG-#3.4 Good Health & Well Being (Theme-Occupational Health & Safety) SDG #8 Decent Work & Economic Growth (Theme Diversity & equal opportunity, Employment)	223, 229

## Ethics and Integrity

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GRI 404: Training and Education	Sustainability Report 2021-22-SDG#4 Quality Education SDG # 13 Climate Action, (Themes: Training & Education, and Institutional capacity building)	238
GRI 405: Diversity and Equal Opportunity	Sustainability Report 2021-22 SDG #8.4 Decent Work & Economic Growth (Theme Diversity & equal opportunity, Employment)	230
GRI 408: Child Labor	Sustainability Report 2021-22 SDG#4 Quality Education (Theme -Education for sustainable development) Annual Report 2022 Code of Ethics & Business Practices	225   72
Disclosure 410-1 Security personnel trained in 197 human rights policies or procedures	Safety of the company is established through internal security force (which is led by a retired army officer and by Pakistan Army (Defense Security guards) all security guards are well trained in human right practices. SDG 4.5 Employee Training & Education	226
GRI 413: Local Communities	Sustainability Report 2021-22-Stakeholder Engagement Annual Report 2022 -Corporate Sustainability Framework & Corporate Social Responsibility	261  256
Disclosure 419-1 Non-compliance with laws and regulations in the social and economic area	Annual Report 2022 Code of Ethics & Business Practices Annual Report 2022-Industrial Relations, SDG-5.1 Gender Equality Sustainability Report 2021-22 SDG#8.3 & 8.4 Decent Work & Economic Growth (Theme-Economic Inclusion, Inclusive Business and Diversity & equal opportunity, Employment)	227   230

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7	Ensure access to affordable reliable sustainable and modern energy for all	234	201-1, 203-1, 302-1, 302-2, 302-3, 302-4, 302-5
8	Promote inclusive and sustainable economic growth, employment and decent work for all	222, 229	102-8, 102-41, 201-1, 202-1, 202-2, 203-2, 301-1, 301-2, 301-3, 302-1, 302-2, 302-3, 302-4, 302-5, 303-3, 401-1, 401-2, 401-3, 402-1, 403-1, 403-2, 403-3, 403-4, 404-1, 404-2, 404-3, 405-1, 405-2, 407-1, 408-1, 409-1, 414-1, 414-2
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12	Ensure sustainable consumption and production patterns	236	204-1, 301-1, 301-2, 301-3, 302-1, 302-2, 302-3, 302-4, 302-5, 303-3, 305-1, 305-2, 305-3, 305-6, 305-7, 306-1, 306-2, 306-3, 306-4, 417-1
13	Take urgent action to combat climate change and its impacts	238	201-2, 302-1, 302-2, 302-3, 302-4, 302-5, 305-1, 305-2, 305-3, 305-4

# GLOSSARY AND ACRONYMS

AGMs	Annual General Meetings-
BMR	Balancing, Modernization and Replacement.
BTU	British Thermal Unit
CBS	Corporate Briefing Session
CEO	Chief Executive Officer
CFL	Compact Fluorescent Light
CFO	Chief Financial Officer
CPR	Cardio - Pulmonary Resuscitation
CSR	Corporate Social Responsibility
CSSD	Central Sterile Supply Department
DCP	Dry Cleaning Plant
ExCom	Executive Committee
ERM	Enterprise Risk Management
ESG	Economic, Social, and Governance goals
ECDE	Early Childhood Development Education
ETP	Effluent Treatment Plant
FY	Fiscal Year
FBR	Federal Board of Revenue
GM	General Manager
GHG	Green House Gases
GMP	Good Manufacturing Practices
GPD	Gallons Per Day
GRI	Global Reporting Initiatives
GST	General Sales Tax
HCl	Hydrochloric Acid
HR & A	Human Resources & Administration
H <sub>2</sub> SO <sub>4</sub>	Sulphuric Acid
HSE	Health, Safety and Environment
IBA	Institute of Business Administration
ICAP	Institute of Chartered Accountants of Pakistan
IMS	Integrated Management System
ISO	International Organization for Standardization
KE	Karachi Electric
KPI	Key Performance Indicator
KWSB	Karachi Water Supply Board
KW	Kilo-watt
Kwh	Kilo-watt hour

# GLOSSARY AND ACRONYMS

LED	Light Emitting Diode
MAP	Management Association of Pakistan
MIS	Management Information System
MRC	Management Review Council
MW	Mega watt
NaOH	Sodium Hydroxide (Caustic Soda)
NEQS	National Environmental Quality Standards
NFEH	National Forum for Environment & Health
NOC	No Objection Certificate
OHSAS	Occupational Health and Safety Management System
PIM	Pakistan Institute of Management
PM	Particulate Material
PM-2	Paper Machine - 2
PMS	Performance Management System
PPEs	Personal Protective Equipment
PPRA	Public Procurement Regulatory Authority
PSPC	Pakistan Security Printing Corporation (Pvt.) Limited
PSX	Pakistan Stock Exchange
PVC	Polyvinyl Chloride
RLCC	Rana Liaquat Craftsmen Colony
RO	Reverse Osmosis Plant
SDGs	Sustainable Development Goals
SECP	Security Exchange Commission of Pakistan
SEPA	Sindh Environmental Protection Agency
SEQs	Sindh Environmental Quality Standards
SOP	Standard Operating Procedures
SMEDA	Small Medium Enterprise Development Authority
SPL	Security Papers Limited
SS	Stainless Steel
SST	Sindh Sales Tax
SWOT	Strengths, Weaknesses, Opportunities & Threats
TBL	Triple Bottom Line
TCF	The Citizen Foundations
TDS	Total Dissolved Salts
UN	United Nations
UNGC	United Nations Global Compact

# DAMSEL CONSULTING AUDITORS,

AUDITORS, ACCOUNTANTS, TAXATION, CORPORATE LAWS,  
FINANCIAL SECTOR ADVISORY AND TAX MANAGEMENT  
CONSULTANTS & INSURANCE SECTOR SPECIALIST.



Ref: Damsel/Sustainability /001/2022

Dated: September 27, 2022

## Independent Assurance Statement for the Security Papers Limited Sustainability Report FY 2021-2022

Damsel Consulting -Cost & Management Accountants was engaged by Security Papers Ltd. (SPL) to carry out an independent review of its Sustainability Report for FY 2021- 2022, which was prepared ‘in accordance’ with Global Reporting Initiative’s (GRI) standards Core Option. The objective of the critical independent opinion is to review quality of the contents of the report and to assess degree of adherence to the principles of Inclusivity, Materiality, and Responsiveness.

### Domains of responsibility of Security Papers Limited and of Damsel Consulting

The Management of SPL is responsible for preparation of the Sustainability Report and for information and statements contained within it. The Company is responsible for determining the sustainability goals, monitoring its performance against the performance management standards and establishing internal control systems for which the report information is derived. While SPL supports all seventeen SDGs, it prioritizes its actions where it can achieve the greatest impact. The rationale behind reporting on a particular KPI and its importance to the company and its stakeholders has been addressed in the SDGs Reporting Section.

It was so refreshing to note that the Management has recently established Sustainability Council (comprising of senior Management team) from the current FY 2021-22 to assist the Board of Directors in fulfilling its responsibility to keep its stakeholders abreast in context to the creation of Sustainability framework and implementation of the best sustainability practices of the organizations and aligning nine (9) SDGs including - SDGs # 3,4,5,6,7,8,9,12 &13 with actions for reporting purpose in its Sustainability Report. The professional team of CERB also facilitated a series of awareness sessions on “Materiality Matrix and Stakeholder Engagement” for the middle and senior management teams of SPL in the last FY 2020-21.

Our responsibility is to conduct an independent review of the Sustainability Report as defined within the scope of work in accordance with the terms of reference agreed with the SPL Management. We do not accept or assume any responsibility for any other purpose or to any other person or organization. Any reliance placed on the report by any third party is solely at its own risk.

## Scope & Assurance

Damsel Consulting-Cost & Management Accountants was approached to express its opinion in relation to the scope review that includes the following elements:

- Review of the policies, initiatives, practices, processes, systems, and performance described in the non-financial-qualitative and quantitative information (Sustainability Performance Achievements against the Sustainability Targets/ Goals for last FY 2021-22) reported as referenced in the report.
- Evaluation of the disclosed information in the report to check adherence to the GRI’s Universal and Topic Specific Standards.

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- Adherence to the International Standard on the Assurance Engagement (ISAE) 3000 (Revised), Assurance Engagements other than audits or Reviews or historical financial statements to provide limited assurance on performance data within the Sustainability Report.
- Adherence to the principles of Inclusivity, Materiality and Responsiveness.
- Review of the Sustainability Development Goal (SDG) linkage with GRI standards General and Topic Specific Disclosures reported in the SDG Index.

## Assurance Methodology

We had undertaken a desk review of the final draft report. We determined the accuracy and authenticity of the report content, data points, methodologies and policies around the organization's social, environmental and economic data activities through various channels such as arranging meetings with the Management, reviewing the contents of the Annual Report 2021, Company Profile, HR Policies & Procedures Manual, Business Continuity Planning (BCP) Manual, Corporate Newsletters, Minutes of Corporate Briefing sessions, Environmental Management Plan & Environmental Monitoring Reports of certified SEPA (Sindh Environmental Protection Agency) Consultant engaged by SPL etc.

## Our methodology for the mentioned scope of work includes:

- ✓ Critical review of the Sustainability Report FY 2021-22 and respective Content Index to check consistency and adherence to GRIs Universal and Topic Specific Standards
- ✓ Evaluation of report adherence to the in-accordance Core option
- ✓ Critical review of the Sustainability Report to obtain limited assurance whether the Sustainability Report is free from material misstatement.
- ✓ Analysis of the report content against principles of Inclusivity, Materiality and Responsive
- ✓ Review of the SDGs Index to check correctness of references with GRI Index against GRI Standards General and Topic Specific Disclosures
- ✓ Final review of the report content

Our assurance activities were planned and conducted to provide limited, rather than absolute assurance and we believe that the desk review of the SPL's Sustainability Report provides an appropriate basis for our conclusions.

## Opinion

Damsel Consulting made a series of recommendations to complete the content as well as to make necessary amendments in the disclosure level in the Content Index, which have been accepted by the Company. SPL provides assurance that they followed the relevant standards as applicable in Pakistan.

We can confirm that the report is adhering to the standard practices and all measures in this respect has been taken.

## Statement of Conclusion

Based on the scope of our work and the assurance procedures we performed using the International Standard on Assurance Engagement (ISAE) 3000 (Revised), 'Assurance Engagements other than audits or reviews of historical financial statements', we conclude that nothing has come to our attention that causes us to believe that the information in SPL's Sustainability Report for FY 2020-21 is in all material aspects not fairly stated.

We confirm that the report is aligned with the requirements of the GRI standards and reports its material topics in an adequate manner. The compliance with GRI Standards has been disclosed in more detail in the Content Index of the report. In our opinion, Security Papers Limited has appropriate systems for collection, collation, and analysis of the data presented in the report.

## Limitations and Exclusions

Excluded from the scope of our work is any verification of information relating to positional statements (expression of opinion, belief, aim or future intention of SPL) and statements of future commitment

## Statement of independence, impartiality and competence

Damsel operates strict conflict of interest checks and has confirmed our independence to work on this engagement with Security Papers Limited. The members of the review team have not provided consulting services and were not involved in the preparation of any part of the report. Damsel is a consulting firm specialized in sustainability. The review team has the required combination of experience professionals, and skills for this engagement.



Damsel Consulting  
Cost & Management Accountants  
Certificate of Practice No. 0046

# ACCOMPLISHMENT OF COMPANY WIDE SUSTAINABILITY OBJECTIVES FOR FY 2021-22

S#	Sustainability Objectives	Unit	FY 2020-21	FY 2021-22	Difference (B-A)	% Variance {(B-A/A)}	Type of Variance (Favorable/Unfavorable)	Justification
1	2% reduction in direct gas consumption for FY 2021-22 from last year	m <sup>3</sup>	2,251,828	1,893,785	-358,043	-15.9%	Favourable	Efficient use of heat recovery boiler
2	1% reduction in cost of goods sold for FY 2021-22 as compared to last year	PKR (in millions)	3,122	3,498	376	12.04	Un favorable	Due to variance in Dollar rate and inflation Raw material cost has increased
3	30 % increase in energy capacity through self-generation source for FY 2021-22 as compared to last year	Kwh	1,4022,500	1,833,500	4,311,000	+30.7%	Favourable	Due to installation of 3rd gas generator
4	5% reduction in water used per been unit of product/ paper was manufactured for FY 2021-22 as compare to last year	Gallons/ Kg	0.0592	0.052	-7.18	-12.16%	Favourable	Increased water recycling
5	2% reduction in Genuine Customer complaints for FY 2021-22 as compared to last year	No.	5	1	-4	-80%	Favourable	Through effective in-process inspection, quality of products has improved
6	0.5 % reduction in process losses for FY 2021-22 as compared to last year	%	18.58	17.8%	-0.78	4.198%	Favourable	Through effective process control, productivity has improved

# ACCOMPLISHMENT OF COMPANY WIDE SUSTAINABILITY OBJECTIVES FOR FY 2021-22

S#	Sustainability Objectives	Unit	FY 2020-21	FY 2021-22	Difference (B-A)	% Variance {(B-A/A)}	Type of Variance (Favorable/ Unfavorable)	Justification
7	1% reduction in Engineering downtime (out of available hours) for FY 2021-22 as compared to last year	%	141:15 hrs.	81.05 hrs.	59.9 hrs.	- 42.5%	Favourable	Through effective / Preventive and predictive maintenance down time has improved
8	2% increase in Sustainability related training man-hours for FY 2021-22 as compared to last year	Man hours	2,917.5	+3,300	382.5	+13.11	Favourable	After indemnifying training needs, more training were conducted
9	2% reduction in Lost Time Case Rate (LTIR) for FY 2021-22 as compared to last year	%	0.409	0.657	0.248	60.8%	Un favorable	Due to lack of behavior-based trainings, Incident ratio increased
10	Promote accident free environment through various mechanisms such GMP as HSE training and awareness implementation of sessions, tool box talks, GMP visits	%	3 minor and non-fatal accidents took placed in 2021-22 as compared to 2 accidents in 2020-21, Lost time man hours were 1151 in 2021-22 as compared to 1,003.5 hrs. in 2020-21 (14.6 % increased).					

# COMPANYWIDE SUSTAINABILITY OBJECTIVES FY 2022-23

S#	Finalized Targets (in consultation with respective HoD)	
1	1% reduction in direct gas consumption per ton of paper made for FY 2022-23 as compared to last year.	Mechanical Engineering
2	To maintain 1.58-1.59% in Engineering maintenance downtime (out of available hours) for FY 2022-23 as compared to last year.	Mechanical Engineering
3	20% decrease in reliance on local power supply (K-Electric) through self-generation source for FY 2022-23 as compared to last year.	Electrical Engineering
4	4% reduction in Genuine Customer complaints for FY 2022-23 as compared to last year.	Quality Assurance
5	1 % reduction in process losses for FY 2022-23 as compared to FY 2021-22 (17.47%).	Production
6	1% increase in productivity per employee for FY 2022-23 as compared to last year. HR & Admin.	Production
7	5% increase in tree plantation for FY 2022-23 as compared to last year.	HR & Admin
8	5% increase in Sustainability related training (man-hours) for FY 2022-23 as compared to last year.	HR & IMS
9	Promote 100% accident-free environment and foster safety culture through implementation of continual improvement initiatives such as Training and Awareness sessions, Tool Box Talks, GMP Round Observations, 5S, Reward & Recognition Programs etc.	All Departments

# CORPORATE SOCIAL RESPONSIBILITY

The Company's Social Responsibility Policy (CSR) aims at playing a positive role in the community to consider the environmental and social impact of business decisions. The details of our CSR activities are as follows:

## DISASTER RELIEF DONATION CAUSED BY EARTHQUAKE IN THE PROVINCE OF BALOCHISTAN ON 07<sup>TH</sup> OCTOBER 2021

The earthquake struck on early Thursday morning of 07th October 2021 in Balochistan Province. The earthquake was centered near the province's Harnai district, whereas, several houses and infrastructure has been damaged beyond repair.

The Company decided to support the survivors of earthquake victims by donating emergency relief tents to the homeless and also mix of 5- liter and 10-liter capacity of plastic containers of water for drinking purpose as victims of the earthquake faced acute shortage of drinking water. SPL donated 200 relief tents and 520 plastic water containers of 05 liters, 600 plastic water containers of 10 liters for an amounting of Rs 1,750,960/=.

## MUHAMMADI BLOOD BANK & THALASSEMIA CENTRE

Muhammadi Blood Bank & Thalassemia Centre is a non-profitable organization engaged in providing exemplary care in diagnosis, treatment and prevention of blood related diseases with subsidized blood banks situated all over Pakistan, they are also providing safe blood 24/7 whenever needed saving thousands of lives. SPL Sponsored double blood bags for their registered patients for one month for an amount of Rs 334,800/=.



## HASWA

HASWA had set up the Artificial Limb Center in Karachi, in 2008 with the collaboration of Rotary Club of Karachi and the Jaipur Foot organization.

SPL Sponsored **30 Artificial Limbs (Rs 10,000/= per limb)** for their patients. In this regard an amount of Rs 300,000/= was donated from CSR 2021-22 Budget.

# CORPORATE SOCIAL RESPONSIBILITY

## MADAWA WELFARE SOCIETY

Since 2002 Madawa Welfare Society (MWS) has been providing education, training, therapy, and much more easiness to the students having Down syndrome, Cerebral Palsy and slow learning problems. Madawa is like a home to differently abled children. They have registered with 47 students who belong to underprivileged families. Their parents are unable to nurture them as resourceful part of society as such children require greater attention and professional assistance.

SPL's CSR Committee decided for 1 (one) student sponsorship for an entire academic year, namely Faisal (Student) by granting Rs 180,000.

Sponsorship costs include transportation, schooling, physio and speech therapy, regular meal, vocational and computer training, monthly doctor screening, yearly books, stationery and uniform, and recreation activities.



# CORPORATE SOCIAL RESPONSIBILITY

## SOS CHILDREN'S VILLAGE OF SINDH

SPL supported following items up to Rs 134,650/=:

1. Single tub Washing Machine, 5 (five) Nos. (Rs 16,400 each x 5) =Rs 82,000/=
2. Lawn Benches for family homes lawn 5 (five) Nos. (Rs 10,530 each x 5) = Rs 52,650/=



## HELPLINE

Helpline is registered NGO with Government of the Punjab and Economic Affairs Division, Islamabad. It is providing relief to HAVE-NOTS of the society since last 20 years. Now with the collaboration of Head Quarter 41 Division of Pakistan Army, they require Sewing Machines for the vocation training institutes of five Districts: Chaman, Nushki, Chagi, Nokundi and Marget of Balochistan.

SPL's CSR Committee decided to procure 100 Sewing Machines (Make Singer) for Rs 1,212,748 and donated to the above NGO.



# CORPORATE SOCIAL RESPONSIBILITY

## THE HUNAR FOUNDATION (THF)

The Hunar Foundation (THF) is requested sponsorship of Security Papers Limited for PKR 3 million.

This amount will be utilized to equip/furnish an IT Lab at the Girls Campus (Saeeda Naseem Technical Institute), which is located within THF Korangi Complex in Korangi, Karachi.

SPL donated an amount of Rs 3,000,000/= for the following items to the above NGO:

### COST OF SETTING UP IT LAB

IT Lab Setup

Grand Total: PKR 3,000,000

UPS; Laptops; LED Screen; Mouse; Headphones; Projector; Office Chairs; Tables, Air Conditioner; Accessories.

## THE CITIZEN FOUNDATION

TCF school curriculum promotes an interactive, child centered teaching approach with emphasis on hands-on activities that help children learn, question and enjoy the learning process.

TCF's academics team has adopted local and international educational guidelines to design the most appropriate curriculum, integrating best practices from across the world. Our curriculum is a rich blend of concepts identified in the National Curriculum and themes emphasized in other international curricula as well.

SPL has received a formal proposal from TCF for support their deserving sites in KPK and Punjab. The schools finalized for complete conversion to Solar Power.

SPL team visited The Citizen Foundation (TCF) on April 06, 2022 to contribute an amount of Rs 1,100,000/= for needy and under privileged students.



## DISTRICT HEAD QUARTERS HOSPITAL (DHQ)-SKARDU

### 02 DIALYSIS MACHINES AND 01 R.O PLANT (SUPPORTIVE FOR 04 DIALYSIS MACHINES)

Security Papers Limited is committed to actively supporting and collaborating with its stakeholders for sustainable community and social development of Pakistan. The Company received a request from District Head Quarters Hospital (DHQ)-Skardu on October 03, 2021 for the support of 05 dialysis machines along with RO Plant.

SPL donated to DHQ / RHQ Hospital-Skardu 2 (two) dialysis machines along with RO Plant for an amount of Rs 3,315,000/-.

# Stakeholders Relationship and Engagement



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# STAKEHOLDER ENGAGEMENT AND RELATIONSHIP

The Board acknowledges that stakeholder engagement helps to proactively consider the needs and desires of all those who have a stake in our organization, which can foster connections, trust, confidence, and buy-in for our organization's key initiatives. The Company is committed to establishing effective working relationship with all of its stakeholders and to resolving any issues that arise in the course of conducting business.

## Stakeholders Engagement

The Company acknowledges the trust our investors pose in us by providing a steady return on their investment. Stakeholders' primary role is to help the Company meet its strategic objectives by contributing their experiences and providing necessary materials and resources.

### EMPLOYEES



### CUSTOMERS



### SHAREHOLDER



Method of Engagement

- . Direct interaction with senior management
- . Formal performance appraisal
- . Regular meetings
- . Communication of Company's performance

- . In person communication with customers
- . Customers feedback
- . Social media platform

- . Quarterly financial statements
- . Annual report
- . Annual General Meeting
- . Corporate Briefing Sessions

Frequency of Engagement

- . Annually
- . As needed
- . Regularly
- . Quarterly

- . Regularly
- . 24/7
- . Annually
- . As needed

- . Quarterly
- . Annually
- . As needed

Interest/ Expectation

- . Fair remuneration
- . Employee benefits
- . Healthy & safe work place
- . Training & development
- . Job security
- . Career growth

- . Value for money
- . Product Quality
- . Choice of products
- . Availability & accessibility

- . Earnings & dividends
- . Growth prospective
- . Transparency
- . Governance
- . Liquidity

# STAKEHOLDER ENGAGEMENT AND RELATIONSHIP

## Corporate Briefing Session

The Company holds Corporate Briefing Session (CBS) with the objective to provide investors (both existing and potential) information about the Company's historic performance, its financials and future prospects which will help them make their investment decisions. Company's CBS are designed to provide more important and relevant information to attendees. The management ensures to keep CBS accurate, concise and clear to focus on the audience.

The PSX Listing Regulations require listed companies to hold at least one corporate briefing session. Whereas, SPL held two corporate briefings i.e. on February 24, 2022 and June 24, 2022. The Chief Executive Officer and Chairman of the Board updated investors on the Company's operational and financial performance. The Chief Executive Officer explained the status of the Company's ongoing projects as well as completed projects for the year. Investors from diverse backgrounds attended the session and exhibited a keen interest in the Company's operations. Following the presentation, a Question-and-Answer session was held in which several thought-provoking questions were asked and response provided by the management.

## CEO's Video Message on Website

The CEO in his simple and concise message uploaded on the Company's website at [www.security-papers.com](http://www.security-papers.com) has shown his commitment to address the real issues facing the Company while staying true to his values and beliefs. The purpose of this video is to connect on a deeper level with our stakeholders to provide meaning and direction to the Company's performance. The video message also elaborates on the Company's vision and its growth prospects. We hope that this effort will go a long way in promoting better alignment between our management and shareholders.

## Annual General Meetings

In compliance with the Code of Corporate Governance, all directors of the Company attend general meetings of the Company to address queries and clarifications sought by the shareholders. At the Company's Annual General Meeting (AGM), the Chairman presents a review of the key business development during the year. This year's AGM will be held on Wednesday, October 26, 2022.

General Meeting notices are sent out to all shareholders at least 21 days prior to the meeting date. It is published in leading national newspapers (in both Urdu and English) with a national circulation. Any shareholder, regardless of shareholding, may appoint a proxy, they have the right to suggest, propose, comment, and record their reservations during the meeting, and they have the full authority to propose and second any item on the agenda.

SPL acknowledges and respects the contributions of its shareholders, records their concerns, prepositions, and suggestions in minutes, and keeps them informed of the Company's progress and subsequent actions.

## Issues raised by Shareholders in the last AGM

General queries and clarifications sought by shareholders regarding the agenda points were resolved to their satisfaction. The Shareholders also enquired about further prospects of the Company. The Chairman answered that management is much focused on delivering par excellence in future. The Shareholders had expressed their gratitude over an excellent return on their investment in the form of cash dividend.

## Participation of Minority Shareholders

In order to encourage our minority shareholders to attend general meetings, we take the following steps:

# STAKEHOLDER ENGAGEMENT AND RELATIONSHIP

- At least 21 days prior to the meeting, notices are sent to all shareholders;
- Notices are published in national English and Urdu newspapers.
- Each shareholder receives a DVD containing the Company's Annual Report.
- Notices are posted on the Company's website and distributed through PSX to ensure maximum reach to shareholders

## Investor Relations Section on SPL Website

SPL disseminates information to its investors, shareholders and other stakeholders through its corporate website. The 'investor relations' section is updated on a regular basis to include all pertinent information, such as dividend history, financial highlights, financial results, and other pertinent information, as well as any other information that may be required.

The website is maintained in both English and Urdu languages in order to comply with the requirements of the applicable regulatory framework and to better serve the needs of the various stakeholder groups. The Company's website can be reached on

[http:// www.security-papers.com](http://www.security-papers.com) .

Company has also developed the 'Investor Information' section on its website with the following tabs:

- Symbol of the Company
- Financials
- Financial Highlights
- Earnings Per Share
- Share Registrar
- Free Float of Shares
- Investors' Grievances
- SECP Investor Complain

### Investor Relation Contacts

Rizwan Ul Haq Khan

Company Secretary

Telephone: (+9221) 99248539

Fax: (+9221) 99248286

E-mail: [comsec@security-papers.com](mailto:comsec@security-papers.com)

### Web Reference

The Company maintains a functional website. Annual, Half-yearly and Quarterly reports are regularly posted at the Company's website <http://www.security-papers.com>.

# STAKEHOLDER ENGAGEMENT AND RELATIONSHIP

## Pakistan Stock Exchange Listing

Security Papers Limited is listed on Pakistan Stock Exchange Limited. The symbol code for dealing in shares of the Company is SEPL.

Security Papers Limited Share Prices 2021-22			
Period	Price in Rupees		
	High	Low	Average
1st Quarter - July - September 2021	172.00	125.00	148.50
2nd Quarter - October - December 2021	143.00	112.00	127.50
3rd Quarter - January - March 2022	131.41	106.25	118.83
4th Quarter - April - June 2022	132.80	107.00	119.90

## Shareholders Engagement Policy

The Company's stakeholder's engagement strategy establishes the objectives of stakeholder engagement and indicates how the involvement of stakeholders is achieved at each stage of the plan dissemination process. The policy of stakeholders' engagement includes satisfaction of customers by providing quality products and timely payments to all creditors.

Moreover, the Company maintains good relationship with its Bankers. The Company regularly engages with its shareholders through various disclosures during the year. The purpose is to provide shareholders and other parties with equal and simultaneous information about matters that may influence the share price of the Company.

The Company communicates with all of its investors through meetings such as the general meetings of the shareholders, annual and interim reports, regular disclosures of information, and analyst & investor briefings. Furthermore, the Company makes available Annual and Quarterly Reports, etc. as required by Companies Act, 2017, and other applicable laws on the Company's website for the information of its members and also transmitted electronically to the SECP and PSX

## Electronic Communication

The Company encourages shareholders to provide e-mail addresses to enable them to receive shareholder materials electronically. Communicating electronically is faster and more cost-effective. However, the Company understands that this does not suit everyone, so the Company also provides hard copy of annual reports to shareholders who wish to receive the same.

# STAKEHOLDER ENGAGEMENT AND RELATIONSHIP

## Market Disclosures

Through timely announcements and disclosures, the Company fully informed to Pakistan Stock Exchange Limited thus providing investors and stakeholders equal and timely access to material information.

Through timely announcements and disclosures, the Company fully informed to Pakistan Stock Exchange Limited thus providing investors and stakeholders equal and timely access to material information

## Insider Information Register

In compliance with the regulatory requirements, the Company ensures that it maintains Insider Information Register, which is updated on a regular basis.

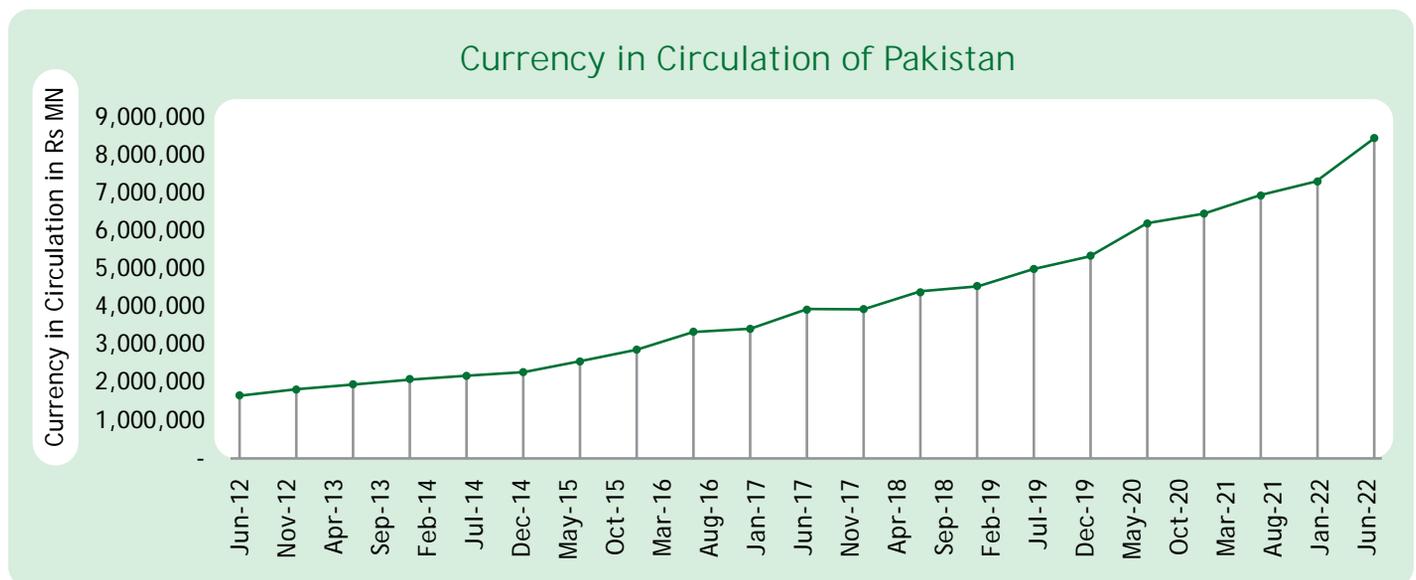
## Redressal of Investors Complains

Shareholders may lodge complaints or grievances at the designated area of the Company’s website. The link can be accessed via “investors information tab”. The Company has developed the ‘Investor Relations’ section on its website with the following tabs:

- Notice
- Online Complaint Form

## Industry Trend:

It is observed that cash still remains one of the most prevalent mediums of payment, despite of a rapid acceleration in e-commerce and online spending in 2022. In fact, post-pandemic pandemic, demand for cash has risen. The reason for the same can be attributed to higher confidence in cash among the general public leading to precautionary holding giving the public more security & comfort. It is essential to understand that the transaction cost of executing a transaction via cash is zero, as a result individuals and businesses avoid banks and prefer to execute transactions in cash therefore cash is still the preferred mode of payment in Pakistan.



Source: [https://www.sbp.org.pk/departments/stats/PakEconomy\\_Handbook/Chap-4.2.pdf](https://www.sbp.org.pk/departments/stats/PakEconomy_Handbook/Chap-4.2.pdf)

# PATTERN OF SHAREHOLDING

## AS AT JUNE 30, 2022

NO. OF SHAREHOLDINGS			
NO OF SHAREHOLDERS	FROM	TO	Total Shares
614	1	100	21,411
536	101	500	174,380
302	501	1,000	249,663
540	1,001	5,000	1,314,391
135	5,001	10,000	1,001,263
42	10,001	15,000	528,512
25	15,001	20,000	430,990
21	20,001	25,000	469,734
12	25,001	30,000	335,706
3	30,001	35,000	99,066
8	35,001	40,000	301,891
9	40,001	45,000	386,257
4	45,001	50,000	187,270
3	50,001	55,000	157,801
4	55,001	60,000	234,677
1	65,001	70,000	68,313
4	70,001	75,000	292,160
1	75,001	80,000	80,000
1	80,001	85,000	83,700
1	95,001	100,000	100,000
1	105,001	110,000	108,620
1	130,001	135,000	133,200
1	150,001	155,000	153,000
1	195,001	200,000	195,200
1	200,001	205,000	201,347
1	210,001	215,000	210,700
2	235,001	240,000	479,138
1	250,001	255,000	254,500
1	395,001	400,000	399,367
1	430,001	435,000	432,500
1	445,001	450,000	445,677
1	590,001	595,000	591,200
1	765,001	770,000	768,703
1	925,001	930,000	928,689
1	2,585,001	2,590,000	2,587,428
1	4,250,001	4,255,000	4,254,280
1	5,020,001	5,025,000	5,022,384
2	5,925,001	5,930,000	11,851,128
1	23,720,001	23,725,000	23,721,739
2,287			59,255,985

# PATTERN OF SHAREHOLDING

## AS AT JUNE 30, 2022

Categories of Shareholders	Number	Shares Held	Percentage
<b>i. Directors, Chief Executive Officer and their Spouse(s) and minor children</b>	<b>2</b>	<b>15,600</b>	<b>0.03</b>
MR. JAMAL NASIM	1	15,000	0.03
MRS. UZMA AIJAZ	1	600	0.00
<b>ii. Executives</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>iii. Associated Companies, Undertakings and Related Parties</b>	<b>3</b>	<b>35,572,867</b>	<b>60.03</b>
SUMER HOLDING A.S.	1	5,925,564	10.00
INDUSTRIAL DEVELOPMENT & RENOVATION ORGANIZATION	1	5,925,564	10.00
PAKISTAN SECURITY PRINTING CORPORATION (PVT.) LIMITED	1	23,721,739	40.03
<b>iv. NIT and ICP</b>			
<b>v. Banks, Development Financial Institutions, Non-Banking Financial Institutions</b>	<b>7</b>	<b>4,292,805</b>	<b>7.24</b>
UNITED BANK LIMITED	1	231	0.00
MERCANTILE COOPERATIVE FINANCE	1	35,231	0.06
INNOVATIVE INVESTMENT BANK LIMITED (UNDER LIQUIDATION)	1	1,428	0.00
THE PUNJAB PROVINCIAL COOPERATIVE BANK	1	4,254,280	7.18
NATIONAL BANK OF PAKISTAN	2	1,482	0.00
MCB BANK LIMITED - TREASURY	1	153	0.00
<b>vi. Insurance Companies</b>	<b>8</b>	<b>6,571,045</b>	<b>11.09</b>
STATE LIFE INSURANCE CORPORATION OF PAKISTAN	2	5,022,607	8.48
E F U GENERAL INSURANCE LIMITED	1	749	0.00
PAKISTAN REINSURANCE COMPANY LIMITED	1	928,689	1.57
DAWOOD FAMILY TAKAFUL LIMITED	1	40,900	0.07
SALAAM TAKAFUL LIMITED	1	72,100	0.12
SALAAM TAKAFUL LIMITED	1	73,500	0.12
ADAMJEE LIFE ASSURANCE COMPANY LTD-IMF	1	432,500	0.73
<b>vii. Modarabas and Mutual Funds</b>	<b>3</b>	<b>3,198,928</b>	<b>5.40</b>
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1	591,200	1.00
B.R.R. GUARDIAN MODARABA	1	20,300	0.03
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	2,587,428	4.37
<b>viii. General Public</b>	<b>2,208</b>	<b>6,990,029</b>	<b>11.80</b>
a. Local	2208	6,990,029	11.80
b. Foreign	-	-	-
<b>ix. Others</b>	<b>56</b>	<b>2,614,711</b>	<b>4.41</b>
AZEEM SERVICES (PVT.) LIMITED	1	1	0.00
N. H. SECURITIES (PVT.) LIMITED	1	26	0.00

# PATTERN OF SHAREHOLDING

## AS AT JUNE 30, 2022

Categories of Shareholders	Number	Shares Held	Percentage
NON-CDC UN-PAID 5% TAX SHAREHOLDERS	1	8,477	0.01
CDC PLAINTIF (PAID & UN-PAID) 5% TAX SHAREHOLDERS	1	2,232	0.00
EFG HERMES OMAN LLC	1	133,200	0.22
TRUST SECURITIES & BROKERAGE LIMITED	1	35,600	0.06
PRUDENTIAL SECURITIES LIMITED	1	53	0.00
Y.S. SECURITIES & SERVICES (PVT) LIMITED	1	102	0.00
MILLWALA SONS (PRIVATE) LIMITED	1	64	0.00
TRUSTEES OF SHEKHA & MUFTI CHARTERED ACCOUNTANTS E.P.F.	1	2,500	0.00
AVIATION ENCLAVE (PVT.) LIMITED	1	23,700	0.04
PREMIER FASHIONS (PVT) LIMITED	1	33,900	0.06
MOHAMAD AMIN BROS (PVT) LIMITED	1	5,000	0.01
TRUSTEES AL-BADER WELFARE TRUST	1	58,809	0.10
DAWOOD FOUNDATION	1	239,597	0.40
TECHNOLOGY LINKS (PVT.) LIMITED	1	6,683	0.01
DEPUTY ADMINISTRATOR ABANDONED PROPERTIES ORGANIZATION	1	399,367	0.67
TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	1	239,541	0.40
TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	1	8,404	0.01
GLOBE MANAGERMENTS (PRIVATE) LIMITED	1	7,000	0.01
AL-RAHIM TRADING COMPANY (PRIVATE) LIMITED	1	1,000	0.00
FIKREE DEVELOPMENTS CORPORATION (PRIVATE) LIMITED	1	5,578	0.01
S.H. BUKHARI SECURITIES (PVT) LIMITED	1	921	0.00
CRESCENT COTTON MILLS LIMITED	1	522	0.00
TRUSTEES D.G.KHAN CEMENT CO.LTD.EMP. P.F	1	108,620	0.18
H M INVESTMENTS (PVT) LIMITED	1	393	0.00
NH SECURITIES (PVT) LIMITED.	1	3,704	0.01
SHAMALIK BROTHERS (PVT) LIMITED	1	1,000	0.00
MAPLE LEAF CAPITAL LIMITED	1	1	0.00
MEMON SECURITIES (PVT.) LIMITED	1	40,000	0.07
FEDERAL BOARD OF REVENUE	1	46,468	0.08
JAHANGIR SIDDIQUI & COMPANY LIMITED	1	83,700	0.14
PTN HOLDINGS (PRIVATE) LIMITED	1	600	0.00
CLIKTRADE LIMITED	1	1	0.00
MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES LIMITED	1	195,200	0.33
TRUSTEE-FIRST DAWOOD INV. BANK LTD. & OTHER EMPOLYEES P.FUND	1	1,000	0.00
BRR FINANCIAL SERVICES (PVT.) LIMITED	1	6,500	0.01
NATIONAL INVESTMENT TRUST LIMITED - ADMINISTRATION FUND	1	768,703	1.30

# PATTERN OF SHAREHOLDING

## AS AT JUNE 30, 2022

Categories of Shareholders	Number	Shares Held	Percentage
TRUSTEE PAKISTAN PETROLEUM SENIOR PROVIDENT FUND	1	17,000	0.03
TRUSTEE PAKISTAN PETROLEUM NON-EXECUTIVE STAFF PENSION FUND	1	18,000	0.03
TRUSTEE PAKISTAN PETROLEUM NON-EXECUTIVE STAFF GRATUITY FUND	1	7,200	0.01
TRUSTEE PAKISTAN PETROLEUM JUNIOR PROVIDENT FUND	1	8,100	0.01
TRUSTEE PAKISTAN PETROLEUM EXECUTIVE STAFF PENSION FUND	1	45,700	0.08
TRUSTEE PAKISTAN PETROLEUM EXECUTIVE STAFF GRATUITY FUND	1	5,500	0.01
TRUSTEE PAK. PETROLEUM EXEC. STAFF PEN. FUND DC CONVENTIONAL	1	4,000	0.01
EMPLOYEES OLD AGE BENEFITS INSTITUTION	1	1,200	0.00
Pearl Capital Management (Private) Limited	1	9	0.00
ASDA SECURITIES (PVT.) LIMITED	1	2,500	0.00
FIKREES (PRIVATE) LIMITED	1	1,037	0.00
AYUB CHAUDHRY INVESTMENTS (PVT) LTD.	1	3,998	0.01
ADAM SECURITIES LTD. - MF	1	400	0.00
R. T. SECURITIES (PVT) LIMITED	1	1,400	0.00
CDC - TRUSTEE PAKISTAN PENSION FUND - EQUITY SUB FUND	1	4,600	0.01
ABA ALI HABIB SECURITIES (PVT) LIMITED - MF	1	8,300	0.01
MRA SECURITIES LIMITED - MF	1	6,600	0.01
MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES LTD. - MF	1	11,000	0.02
<b>Total</b>	<b>2,287</b>	<b>59,255,985</b>	<b>100.00</b>
<b>x. Shareholders Holding five percent or more Voting Rights in the Listed Company</b>	<b>6</b>	<b>44,849,754</b>	<b>75.69</b>
PAKISTAN SECURITY PRINTING CORPORATION (PVT.) LIMITED	1	23,721,739	40.03
SUMER HOLDING A.S.	1	5,925,564	10.00
INDUSTRIAL DEVELOPMENT & RENOVATION ORGANIZATION	1	5,925,564	10.00
STATE LIFE INSURANCE CORPORATION OF PAKISTAN	2	5,022,607	8.48
THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED	1	4,254,280	7.18

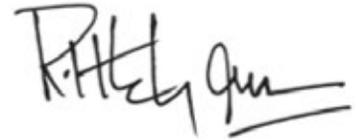
# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fifty-seventh Annual General Meeting of Security Papers Limited, (the "Company") will be held on Wednesday, October 26, 2022, at 9:00 a.m. at Security Papers Limited, Karachi to transact the following business:

## A. ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2022 together with the Directors' and Auditors' Reports thereon.
2. To approve the payment of cash dividend at the rate of Rs 10/- per share i.e., 100% for the year ended June 30, 2022 as recommended by the Board of Directors.
3. To appoint Auditors for the Financial Year 2022-23 and to fix their remuneration.
4. To consider appropriate increase in Directors' Meeting Fee.

By Order of the Board



(Rizwan Ul Haq Khan)  
Company Secretary

Karachi,

September 29, 2022

## NOTES:

### 1. Closure of Share Transfer Books

The Share Transfer Books of the Company will remain closed from October 17, 2022 to October 26, 2022 (both days inclusive). Transfers received in order at the office of Share Registrar, M/s. FAMCO Associates (Pvt.) Limited, 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi by the close of business on October 16, 2022 will be considered in time to determine the above-mentioned entitlement and to attend and vote at the Meeting.

### 2. Participation in the Annual General Meeting and appointing proxies

- (i) Members whose names are appearing in the register of members as of October 16, 2022 are entitled to attend and vote at the meeting.
- (ii) A member entitled to attend and vote at the above meeting may appoint a proxy to attend and vote on their behalf. No person shall act as a proxy (except for a corporation) unless he is entitled to be present and vote in their own right. For appointing proxies, the scanned/hard copy of the proxy form appearing below duly executed and witnessed, along with the relevant supporting documents and the e-mail address of the proxy must be sent to the Company Secretary at comsec@security-papers.com at least 48 hours before the time of the Meeting.
- (iii) The proxy form should be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- (iv) Where possible, attested copies of the CNIC or the identification pages of the passport of the beneficial owners and the proxy should be enclosed with the e-mailed Proxy Form.

# NOTICE OF ANNUAL GENERAL MEETING

- (v) In case of corporate entity, the Board of Directors' resolution/Power of Attorney with specimen signature should be submitted along with Proxy Form to the Company.
- (vi) Shareholders holding shares in physical form are requested to notify the change of their addresses (if any) and provide the copy of their CNIC to Share Registrar, M/s. FAMCO Associates (Pvt.) Limited, 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi.
- (vii) CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular No.1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

### 3. CNIC / NTN Number on Dividend Warrant (Mandatory)

- (i) In terms of the Companies (Distribution of Dividends) Regulations, 2017. Regulation 4, Manner of payment of cash dividend, (iv) the Dividend Warrant or cheque should bear identification number.

Explanation \_ For the purpose of these regulations identification number includes Computerized National Identity Card Number (CNIC) of the registered shareholder or the authorized person, child registration certificate number or juvenile card number in case of a minor, where applicable and registration number or national tax number of the shareholder being a person other than a natural person.

- (ii) 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 a corporate entity).
- (iii) 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 its Share Registrar, M/s. FAMCO Associates (Pvt.) Limited.

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

- (i) The rates of deduction of Withholding Income Tax from dividend payments under the Income Tax Ordinance, 2001 shall be as follows:
  - (ii) Persons appearing in Active Tax Payers List (ATL) ---- 15%.
  - (iii) Persons not appearing in Active Tax Payers (ATL) ---- 30%.
- (iv) To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, shareholders whose names are not entered into the Active Taxpayers' 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 @ 30% instead of 15%.
- (v) 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 Tenth Schedule to the Income Tax Ordinance, 2001).
- (vi) 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.
- (vii) 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 (only if not already provided) 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)

# NOTICE OF ANNUAL GENERAL MEETING

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).

- (viii) As per FBR Circulars C. No. 1 (29) WHT/2006 dated 30 June 2010 and C. 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 the 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.
- (ix) For any query/problem/information, the investors may contact the Company Secretary at phone: 021-99248285 and email address [comsec@security-papers.com](mailto:comsec@security-papers.com) and/or FAMCO Associates (Pvt.) Ltd. at phone 021-34380101-5 and email address: [info.shares@famco.com.pk](mailto:info.shares@famco.com.pk).
- (x) 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.

## 5. Intimation for Non-Resident Individual Shareholders

Non-Resident individual shareholders shall submit declaration of undertaking with copy of valid passport under definition contained in Section 82 of the Income Tax Ordinance, 2001 for determination of residential status for the purposes of tax deduction on dividend to the Share Registrar (M/s. FAMCO Associates (Pvt.) Limited at 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S, Shahrah-e-Faisal, Karachi or email at [info.shares@famco.com.pk](mailto:info.shares@famco.com.pk) at the latest by September 19, 2022. The copy of declaration form can be downloaded at Shares Registrar website: <https://famco.com.pk/share-registration-services/>

## 6. Payment of Cash Dividend Electronically (Mandatory)

- (i) 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 shareholders only through electronic mode directly into their bank account designated by the entitled shareholders instead of issuing physical dividend warrants.
- (ii) 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.
- (iii) Please note that as per Section 243(3) of the Companies Act, 2017, listed companies are entitled to withhold payment of dividend, if the necessary information is not provided by shareholders.
- (iv) For the convenience of shareholders, e-Dividend Mandate Form is available on the Company's website: <http://www.security-papers.com>.

## 7. Unclaimed / Unpaid Shares and Dividends

- (i) 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.
- (ii) 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 March 30, 2018 in two daily newspapers i.e. (i) Business Recorder and (ii) Daily Jang in English and Urdu respectively.

# NOTICE OF ANNUAL GENERAL MEETING

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

## 8. Conversion of Shares from Physical Form to Book-Entry-Form

(i) The Securities and Exchange Commission of Pakistan (SECP) has issued a letter No. CSD/ED/Misc./2016-639-640 dated March 26, 2021 addressed to all listed companies referring their attention towards the provision of Section 72 of the Companies Act, 2017 (Act) which requires to all the then existing companies to replace shares issued by them in physical form with shares to be issued in the Book-Entry-form within a period not exceeding four years from the date of the promulgation of the Act.

(ii) In order to ensure full compliance with the provisions of the aforesaid Section 72 and to benefit from the facility of holding shares in the Book-Entry-Form, the shareholders who still hold shares in physical form are requested to convert their shares in the Book-Entry-Form.

## 9. Placement of Financial Accounts on Website

(i) Pursuant to the notification of the SECP S.R.O.1196(1)/2019 of 3rd October 2019, the financial statements of the Company have been placed on the Company's website at [www.security-papers.com](http://www.security-papers.com).

## 10. Consent for Video Link Facility

In accordance with Section 134(1)(b) of the Companies Act, 2017 and the Companies (General Provisions and Forms) Regulations, 2018 Regulation 29 - Video Link facility for meetings, the Company shall provide the facility of video-link to for attending the meeting.

(i) Further to SECP S.R.O. No.1027/(I)2014 dated 13th November 2014 clause 1(b), the Company may provide video link facility to its members for attending the general meeting at places other than the town in which the general meeting is taking place after considering the geographical dispersal of its members:

(ii) Such facility shall be provided if members, collectively holding 10% or more shareholding residing at a geographical location, provide their consent to participate in the meeting through video link at least 10 days prior to the date of meeting, the Company shall arrange video link facility in that city subject to availability of such facility in that city.

(iii) The Company will intimate members regarding venue of video link facility at least 5 days before the date of general meeting along with complete information necessary to enable them to access such facility.

(iv) I/We, \_\_\_\_\_ of \_\_\_\_\_, being a member of the Security Papers Limited, holder of \_\_\_\_\_ Ordinary Share(s) as per Register CDC/Folio No. \_\_\_\_\_ hereby opt for video link facility at \_\_\_\_\_.

## 11. Change of Address (If any)

(i) 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.

# BEST CORPORATE REPORT (BCR) CRITERIA

1 ORGANIZATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT		
1.01	Principal business activities and markets	5-6 & 147
1.02	Geographical location and address of all business	7
1.03	Mission, vision, code of conduct, culture, ethics and values	12-17 & 72
1.04	Ownership, operating structure and relationship with group companies	267-270
1.05	Organization chart indicating functional and administrative reporting	18-19
1.06	Key elements of business model	59
1.07	Position of the reporting organization within the value chain	61
1.08	Significant factors effecting the external environment and the organization's response	62-63
1.09	The legitimate needs, interests of key stakeholders and industry trends	262, 266
1.10	SWOT Analysis of the company	60
1.11	Competitive landscape and market positioning	64
1.12	The legislative and regulatory environment in which the organization operates	81
1.13	The political environment where the organization operates and other countries that may affect the ability of the organization to implement its strategy.	62
1.14	Significant changes from prior years	98 & 196
1.15	History of major events	8-9
1.16	Details of significant events occurred during the year and after the reporting period	10-11
2 STRATEGY AND RESOURCE ALLOCATION		
2.01	Short, medium and long-term strategic objectives	97
2.02	Strategies in place to achieve those strategic objectives	98
2.03	Resource allocation plans to implement the strategy and financial capital structure	99
2.04	Key resources and capabilities of the company which provide sustainable competitive advantage	96, 98 & 208 255
2.05	Value created by the business, and for whom, using these resources and capabilities	98-99 & 114
2.06	The effect of technological change, societal issues such as population and demographic changes, human rights, health, poverty, collective values and educational systems, environmental challenges, such as climate change, the loss of ecosystems, and resource shortages on the company strategy and resource allocation	95
2.07	Specific processes used to make strategic decisions and to establish and monitor the culture of the organization, including its attitude to risk and mechanisms for addressing integrity and ethical issues	72, 94
2.08	Key performance indicators (KPIs)	96
2.09	Board's statement on the following: a) significant plans and decisions such as corporate restructuring, business expansion, or discontinuance of operations; b) business rationale of major capital expenditure or projects started during the year and those planned for next year etc.	25,44 98 & 197
2.10	Significant changes in objectives and strategies from prior years	98 & 196

# BEST CORPORATE REPORT (BCR) CRITERIA

3 RISKS AND OPPORTUNITIES		
3.01	Key risks and opportunities effecting availability, quality and affordability of Capitals	60, 106
3.02	Risk Management Framework including risk management methodology.	102-105
3.03	Sources of risks and opportunities (internal and external)	106
3.04	Initiatives for promoting and enabling innovation	86-90, 234-235
3.05	Assessment of the 'likelihood' that the risk or opportunity will come to fruition and the 'magnitude' of its effect if it does	60, 106
3.06	Specific steps being taken to mitigate or manage key risks	106
3.07	Board's risk management policies	44, 102-107
3.08	Board of Directors robust assessment of the principal risks facing the Company	44, 102-107
3.09	Strategy to overcome liquidity problem and the company's plan to manage its repayment of debts and meet operational losses.	107, 119
3.10	Inadequacy in the capital structure and plans to address such inadequacy	107, 119
4 SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY		
4.01	Highlights of the entity's performance, policies, initiatives and plans in place relating to the various aspects of sustainability and corporate social responsibility	206, 207-212
4.02	Status of adoption/compliance of the Corporate Social Responsibility (Voluntary) Guidelines, 2013 issued by the SECP or any other regulatory framework as applicable.	253-255
4.03	Certifications acquired and international standards adopted for best sustainability and CSR practices	250-251
5 GOVERNANCE		
5.01	Composition of the Board: a) Leadership structure of those charged with governance. b) Name of independent directors indicating justification for their independence. c) Diversity in the board i.e. competencies, requisite knowledge & skills, and experience. d) Profile of each director including education, experience and involvement/engagement of in other entities as CEO, Director, CFO or Trustee etc. e) No. of companies in which the executive director of the reporting organization is serving as non-executive director.	43 & 73 73 74 74 24 - 33 33
5.02	Review Report by the Chairman of the Company	35
5.03	A statement of how the Board operates	73-79
5.04	Annual evaluation of performance, along with description of criteria used for the members of the Board and its committees, CEO and the Chairman	79-80
5.05	Disclosure if the Board's Performance evaluation is carried out by an external consultant once in three years	79
5.06	Details of formal orientation courses for Directors	79
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# BEST CORPORATE REPORT (BCR) CRITERIA

5.09	a) Approved policy for related party transactions.	81
	b) Details of all related parties' transactions, along with the basis of relationship describing common directorship and percentage of shareholding.	181,268
	c) Contract or arrangement with the related party other than in the ordinary course of business on an arm's length basis, if any along with the justification for entering into such contract or arrangement.	81
	d) Disclosure of director's interest in related party transactions.	181
	e) In case of conflict, disclosure	83
5.10	Disclosure of Board's Policy on the following significant matters:	
	a) Governance of risk and internal controls.	103
	b) Diversity (including gender), any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives.	81
	c) Disclosure of director's interest in significant contracts and arrangements.	83
	d) Remuneration of non-executive directors including independent directors for attending board meetings and general meetings.	80
	e) Retention of board fee by the executive director earned by him against his services as non-executive director in other companies.	N/A
	f) Security clearance of foreign directors.	80
	g) Board meetings held outside Pakistan.	78
	h) Human resource management including preparation of succession plan.	82 & 83
	i) Social and environmental responsibility.	83
	j) Communication with stakeholders.	83
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	l) Employee health, safety and protection.	85
	m) Whistle blowing policy including mechanism to receive and handle complains in a fair and transparent manner and providing protection to the complainant against victimization and reporting in Audit Committee's report.	82
	n) Safety of records of the company.	82
	o) Providing reasonable opportunity to the shareholder for participation in the AGM.	263
5.11	Board review statement of the organization's business continuity plan or disaster recovery plan.	87 & 89
5.12	Disclosure of beneficial (including indirect) ownership and flow chart of group shareholding and relationship as holding company, subsidiary company or associated undertaking.	84
5.13	Compliance with the Best Practices of Code of Corporate Governance (No marks in case of any non-compliance).	84
5.14	A brief description about role of the Chairman and the CEO	84
5.15	Shares held by Sponsors / Directors / Executives	268-270
5.16	Salient features of TOR and attendance in meetings of the Board Committees (Audit, Human Resource, Nomination and Risk management)	75-77
5.17	Timely Communication	85
5.18	Audit Committee Report	70

# BEST CORPORATE REPORT (BCR) CRITERIA

5.19	Presence of the chairman of the Audit Committee at the AGM to answer questions on the Audit Committee's activities/matters that are within the scope of the Audit	85
5.20	Board disclosure on Company's use of Enterprise Resource Planning (ERP ) software including: a) how it is designed to manage and integrate the functions of core business processes/ modules like finance, HR, supply chain and inventory management in a single system; b) management support in the effective implementation and continuous updation; c) details about user training of ERP software; d) how the company manages risks or control risk factors on ERP projects; e) how the company assesses system security, access to sensitive data and segregation of duties.	87 87 88 88 88
5.21	Where an external search consultancy has been used in the appointment of the Chairman or a non-executive director, it should be disclosed if it has any other connection with the company.	N/A
5.22	Chairman's significant commitments and any changes thereto	35
5.23	Disclosure of impact of Government policies on Company's business and performance	80
5.24	How the organization's implemented governance practices exceeding legal requirements	78
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6.02	Analysis of financial statements, Ratios, DuPont, Cash Flow & EVA	118-122, 130-132, 124
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6.08	Methods and assumptions used in compiling the indicators	147,115-117,128
6.09	Cash Flow Statement based on Direct Method	131
6.10	Segmental review of business performance	193
6.11	a) Share price sensitivity analysis using key variables (i.e. selling price, raw material cost, interest rate and currency) with the consequent impact on the company's earning. b) Composition of local versus imported material and sensitivity analysis in narrative form due to foreign currency fluctuations	120,133
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# BEST CORPORATE REPORT (BCR) CRITERIA

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## BEST CORPORATE REPORT (BCR) CRITERIA

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12.23	Where any property or asset acquired with the funds of the Company and is not held in the name of the Company or is not in the possession and control of the Company, this fact along with reasons for the property or asset not being in the name of or possession or control of the Company shall be stated; and the description and value of the property or asset, the person in whose name and possession or control it is held shall be disclosed	N/A
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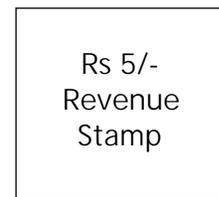
I/We \_\_\_\_\_ of \_\_\_\_\_  
 \_\_\_\_\_ being member(s) of SECURITY PAPERS LIMITED and holder of \_\_\_\_\_ Ordinary  
 Shares as per Share Register Folio/CDC Account No. \_\_\_\_\_ hereby appoint \_\_\_\_\_ Folio/C  
 DC Account No. \_\_\_\_\_ of \_\_\_\_\_ CNIC No. or Passport No. \_\_\_\_\_ or failing whom  
 \_\_\_\_\_ Folio/CDC Account No. \_\_\_\_\_ of \_\_\_\_\_ CNIC No. or Passport  
 No. \_\_\_\_\_ who is also a member of the Company as my/our proxy to attend and vote for me/us and on  
 my/our behalf at the 57th ANNUAL GENERAL MEETING of the Company to be held on Wednesday, October 26, 2022, at  
 9:00 a.m. and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2022

Witnesses: 1. Signature \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 CNIC or Passport No.: \_\_\_\_\_

2. Signature \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 CNIC or Passport No.: \_\_\_\_\_

Signature \_\_\_\_\_  
 (Signature should agree with the specimen  
 signature registered with the Company)  
 CNIC or Passport No.: \_\_\_\_\_



## IMPORTANT

1. This form of proxy, duly completed and signed, must be deposited at the Company's Registered Office not later than 48 hours before the Meeting.
2. This form should be signed by the member or by his/her attorney duly authorized in writing. If the member is a Corporation, its common seal should be affixed to the instrument.
3. A member entitled to attend and vote at the Meeting may appoint any other member as his/her proxy to attend and vote on his/her behalf except that a corporation may appoint a person who is not a member.

## For CDC Account Holders/Corporate Entities

In addition to the above, the following requirements have to be met:

- (i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC or Passport Numbers shall be mentioned on the form.
- (ii) Attested copies of CNIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (iii) The proxy shall produce his/her original CNIC or original Passport at the time of the Meeting.
- (iv) In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier), along with proxy form to the Company.

## پروکسی فارم

میں/ہم..... از..... بحیثیت سیکورٹی بیپیز لمیٹڈ کے ممبر اور حامل..... عد عام حصص برطابق شیئرز رجسٹر فوئیو/ سی ڈی سی اکاؤنٹ نمبر..... بذریعہ ہذا جناب / محترمہ..... فوئیو/سی ڈی سی اکاؤنٹ نمبر..... حامل سی این آئی سی نمبر یا پاسپورٹ نمبر..... یا بصورت دیگر..... فوئیو/سی ڈی سی اکاؤنٹ نمبر..... حامل سی این آئی سی نمبر یا پاسپورٹ نمبر..... جو کمپنی کے / کی ممبر بھی ہیں، بروز بدھ 26 اکتوبر 2022 کو صبح نو بجے یا کسی ملتوی شدہ تاریخ کو منعقد ہونے والے 57 ویں سالانہ اجلاس میں اپنی جانب سے شرکت اور رائے دہی کے لیے اپنا پروکسی مقرر کرتا ہوں / کرتے ہیں۔

دستخط..... بتاریخ..... 2022

5/- روپے کا  
محصول ٹکٹ

گواہ 1 : 1- دستخط  
نام  
پتہ  
سی این آئی سی یا پاسپورٹ نمبر  
گواہ 2 : 2- دستخط  
نام  
پتہ  
سی این آئی سی یا پاسپورٹ نمبر

دستخط.....

(دستخط کمپنی کے پاس رجسٹرڈ دستخط کے نمونے کے مطابق ہوں)

سی این آئی سی / پاسپورٹ نمبر.....

اہم:

- 1- پروکسی فارم ہذا مکمل اور دستخط کے ہمراہ اجلاس کے انعقاد سے کم از کم اڑتالیس (48) گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں جمع کر دیا جائے۔
- 2- فارم پر ممبر یا اس کا تحریراً مقرر کردہ اٹارنی دستخط کرے گا۔ ممبر کا پوریشن ہونے کی صورت میں اس کی مہر فارم پر ثبت کرنی ہوگی۔
- 3- اجلاس میں شرکت اور رائے دہی کا اہل ممبر اپنی جانب سے شرکت اور رائے دہی کے لیے دوسرے ممبر کو اپنا پروکسی مقرر کر سکتا ہے تاہم کارپوریشن کسی بھی غیر ممبر کو اپنا پروکسی مقرر کر سکتی ہے۔

## برائے سی ڈی سی اکاؤنٹ ہولڈرز/ کارپوریشن ادارے

مزید براں مندرجہ ذیل شرائط پر عمل کرنا ہوگا:

- (i) پروکسی فارم پر دو افراد کی گواہی ہونی چاہیے جن کے نام، پتے اور سی این آئی سی یا پاسپورٹ نمبر فارم میں درج ہوں۔
- (ii) ممبر اور پروکسی کے سی این آئی سی یا پاسپورٹ کی تصدیق شدہ کاپیاں پروکسی فارم کے ہمراہ منسلک کرنی ہوں گی۔
- (iii) پروکسی کو اجلاس کے وقت اپنا اصل سی این آئی سی یا اصل پاسپورٹ پیش کرنا ہوگا۔
- (iv) کارپوریٹ ادارے کی صورت میں ڈائریکٹرز کی قرارداد/ پاور آف اٹارنی مع نامزدہ فرد کے دستخط کا نمونہ (اگر پہلے فراہم نہ کئے گئے ہوں) پروکسی فارم کے ہمراہ کمپنی کو پیش کرنے ہوں گے۔





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