



Security Papers
LIMITED



58 Years of Reliability and Quality

Annual Report 2023



Security Papers **LIMITED**

ISO 9001:2015, ISO 14001:2015 & ISO 45001:2018, ISO/IEC 27001:2013 Certified

58 Years of Reliability and Quality

Annual Report 2023

ABOUT THE REPORT

The Annual Report 2023 (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, 2023. 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 2023 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 13, 2023.

Scope and Boundary

Our Report covers the period from July 1, 2022 to June 30, 2023 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, 2022. 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



Table of Contents



04

Organizational
Overview and
External Environment



59

Governance



87

Strategy and
Resource Allocation



95

Risk Management



103

Striving for Excellence
in Corporate Reporting



107

Analysis of
Financial
Information



131

Financial
Statements



191

Future Outlook



195

Sustainability
and Corporate
Social
Responsibility



267

Stakeholders
Relationship and
Engagement



Organizational Overview and External Environment

05	Company Profile
06	Product Portfolio
07	Geographical Presence
08	History of Major Events
10	Major Events During the Year & After the Reporting Date
13	Vision
13	Mission
14	Core Values
16	Organogram
18	Company Information
21	Board of Directors
22	Directors' Profile
28	Chairman's Review
31	Awards
32	Directors' Report English
48	Directors' Report Urdu
49	Corporate Awards and Certifications
52	Business Model
53	SWOT Analysis
54	Significant Factors Affecting External Environment and The Company's Response
56	Value Chain Analysis
57	Competitive Landscape and Market Positioning

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.

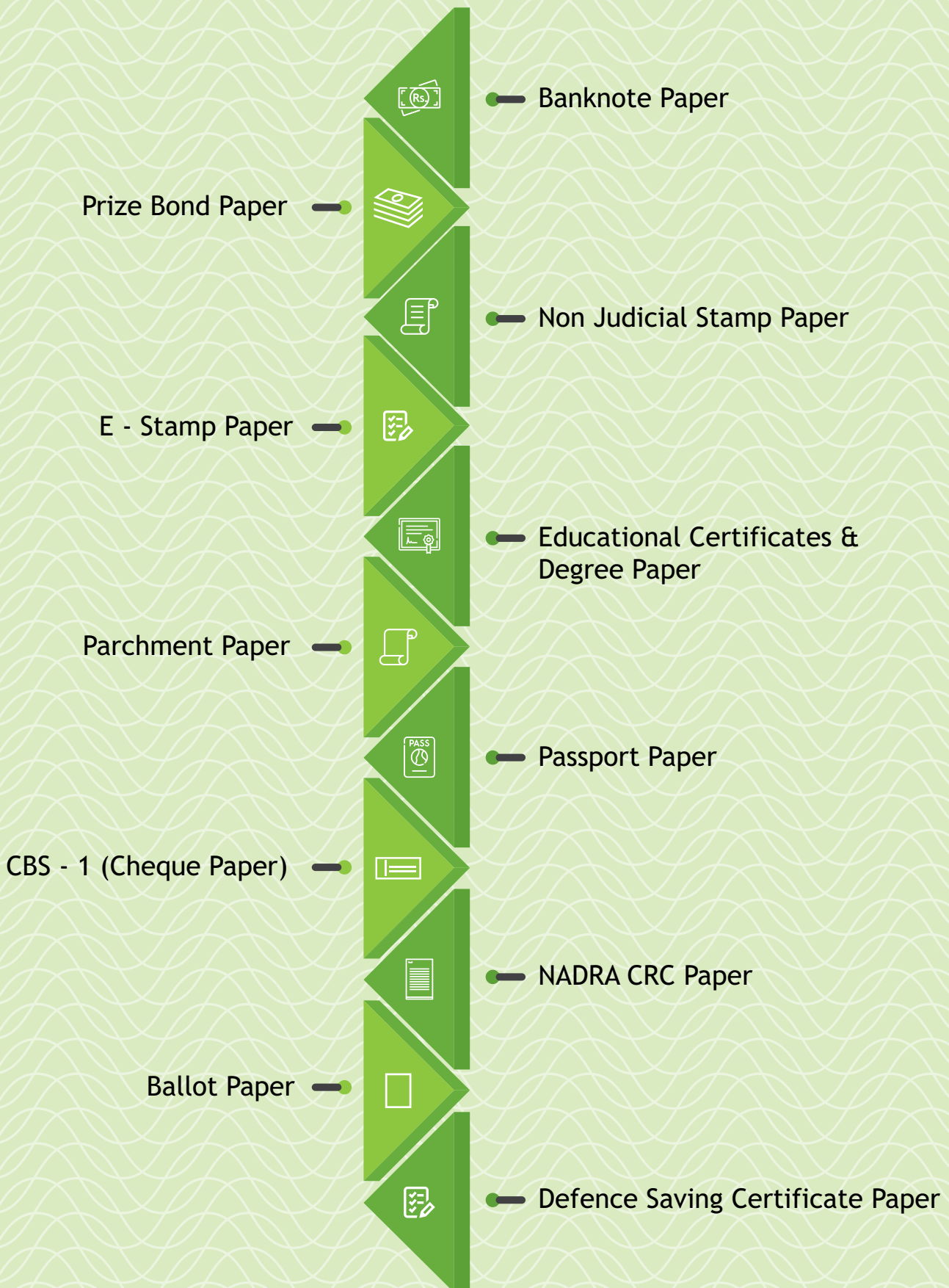
Principal Business Activity

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.

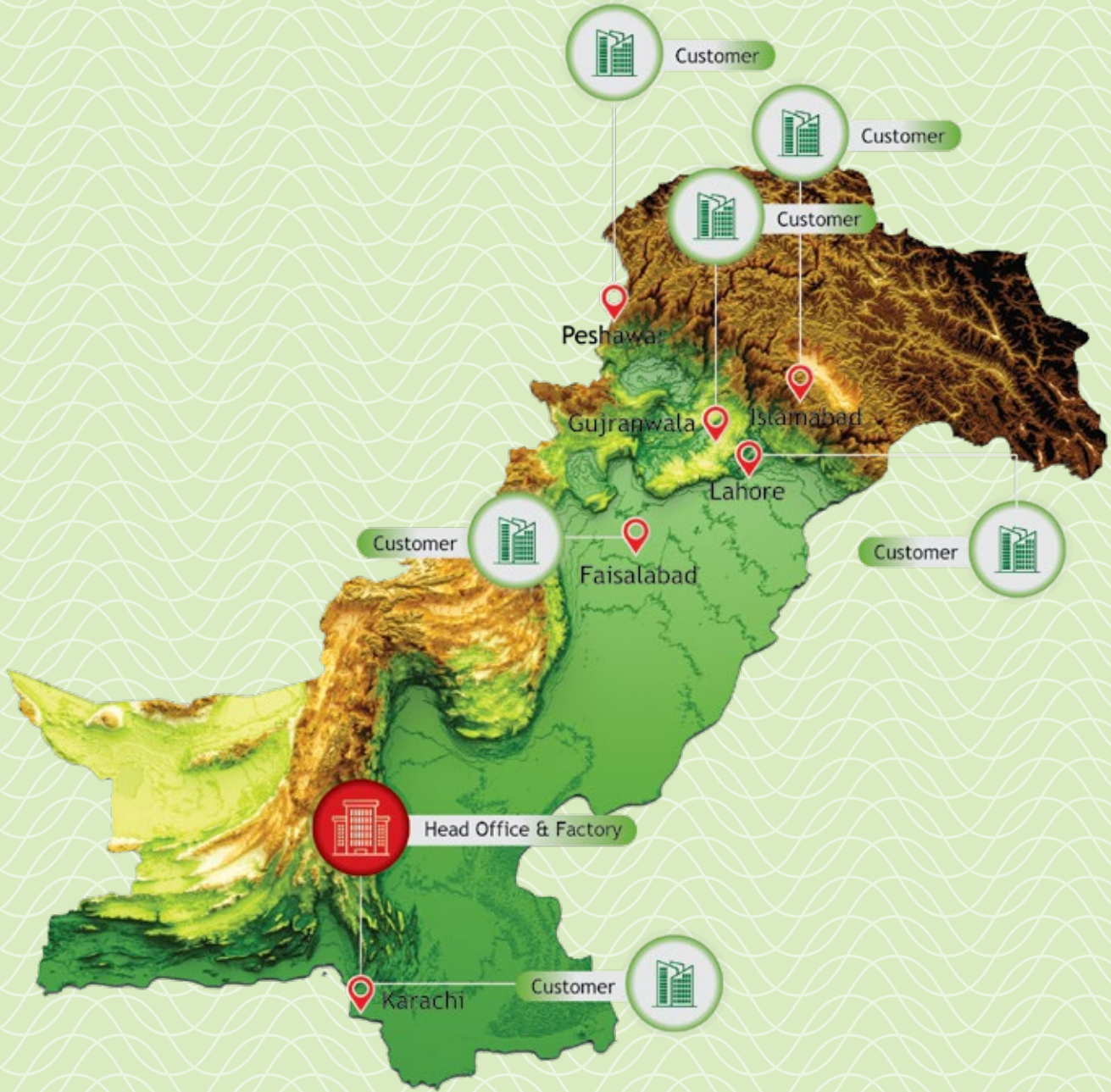
Being self-reliant, the Company is also saving a substantial amount of foreign exchange, which would have been otherwise required for the import of such sensitive paper. SPL has been gradually enhancing the paper production capacity which has increased from 2,500 tons to 4,500 tons, extendable up to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

•1965•
Incorporation of
the Company
(As a private Company)

•1966•
Signing of Contract for
the Supply of Paper
Machine-1 (PM-1)
with Mills-Paugh, U. K.

•1967•
Conversion into Public
Company Listing on the
Pakistan Stock Exchange
(Erstwhile Karachi Stock
Exchange)

•1969•
Start of Commercial
Production of PM-1

•2014•
Commissioning of
Dry Cleaning Plant

•2015•
Commissioning of
Thread Unwind
System

•2016•
Production of
Passport Paper

•2018•
Installation of Breaker
and Beater Assemblies
and Stainless Steel Chests

•2019•
PM-2 Capacity
Enhancement through
In-house Development

•2020•
Highest ever
Production

•2001•

Signing of Contract for Supply of Paper Machine-2 (PM-2) with Voith Paper, Germany

•2003•

Commissioning of PM-2

•2004•

Formal Inauguration of PM-2 by the Prime Minister

•2006•

Installation of Reverse Osmosis (RO) Plant

•2009•

Commissioning of Co-Generation Power Plant

•2011•

Modification and Upgrading of Plant

•2012•

Commissioning of New Mould Cover Manufacturing Facility

•2021•

Upgrade Fire Alarm System, new Fire Hydrant, and Sprinkler System

•2022•

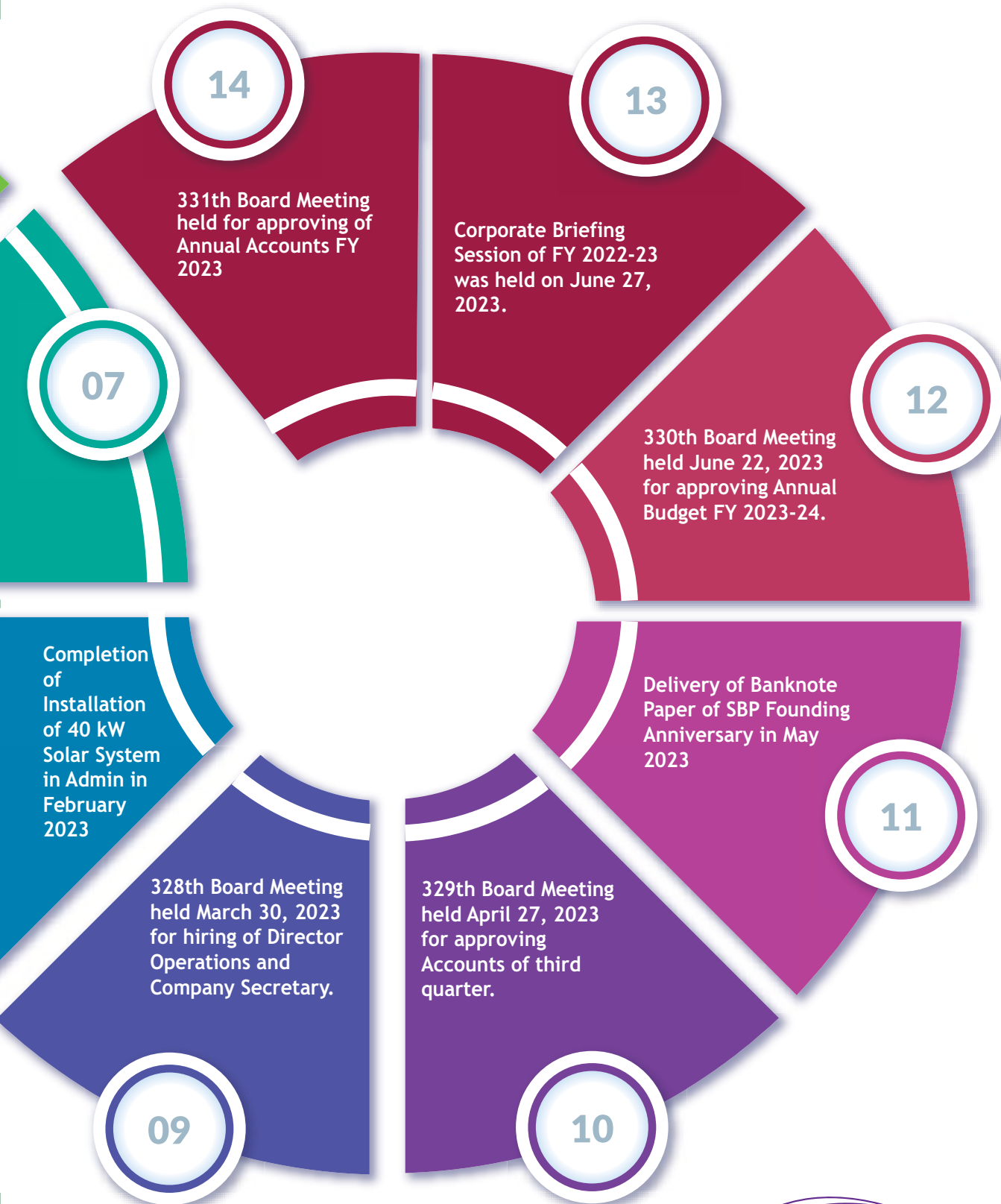
Development of Special Watermark Security Paper for Ballot Printing

•2023•

Production and delivery of Ballot Paper, Commemorative Banknote of Rs 75.

MAJOR EVENTS DURING THE YEAR AND AFTER THE REPORTING DATE









Vision Statement

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



Mission Statement

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

Striving for continuous improvement and innovation with commitment and responsibility;

Treating shareholders/stakeholders with respect, courtesy and competence;

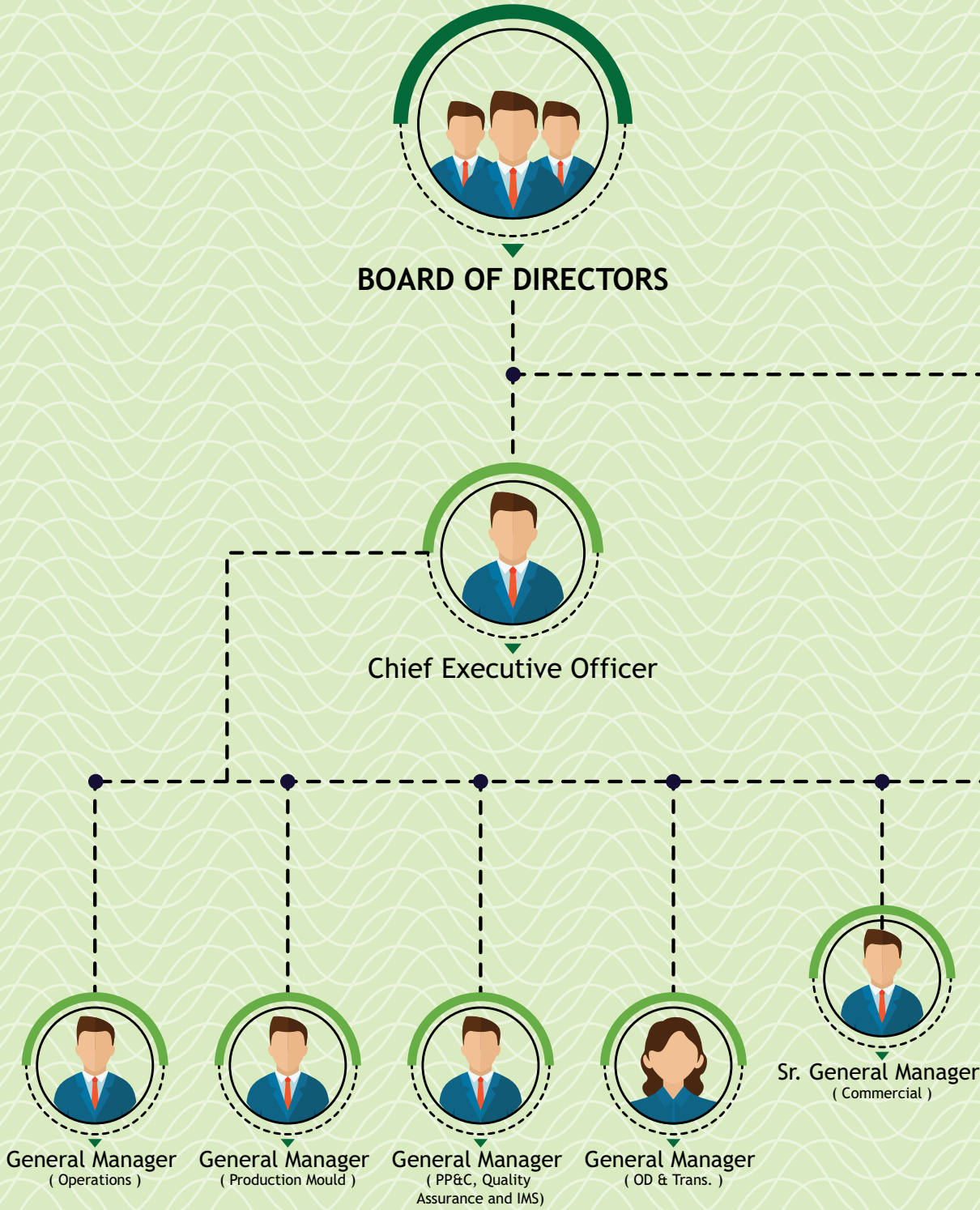
Practicing highest personal and professional integrity;

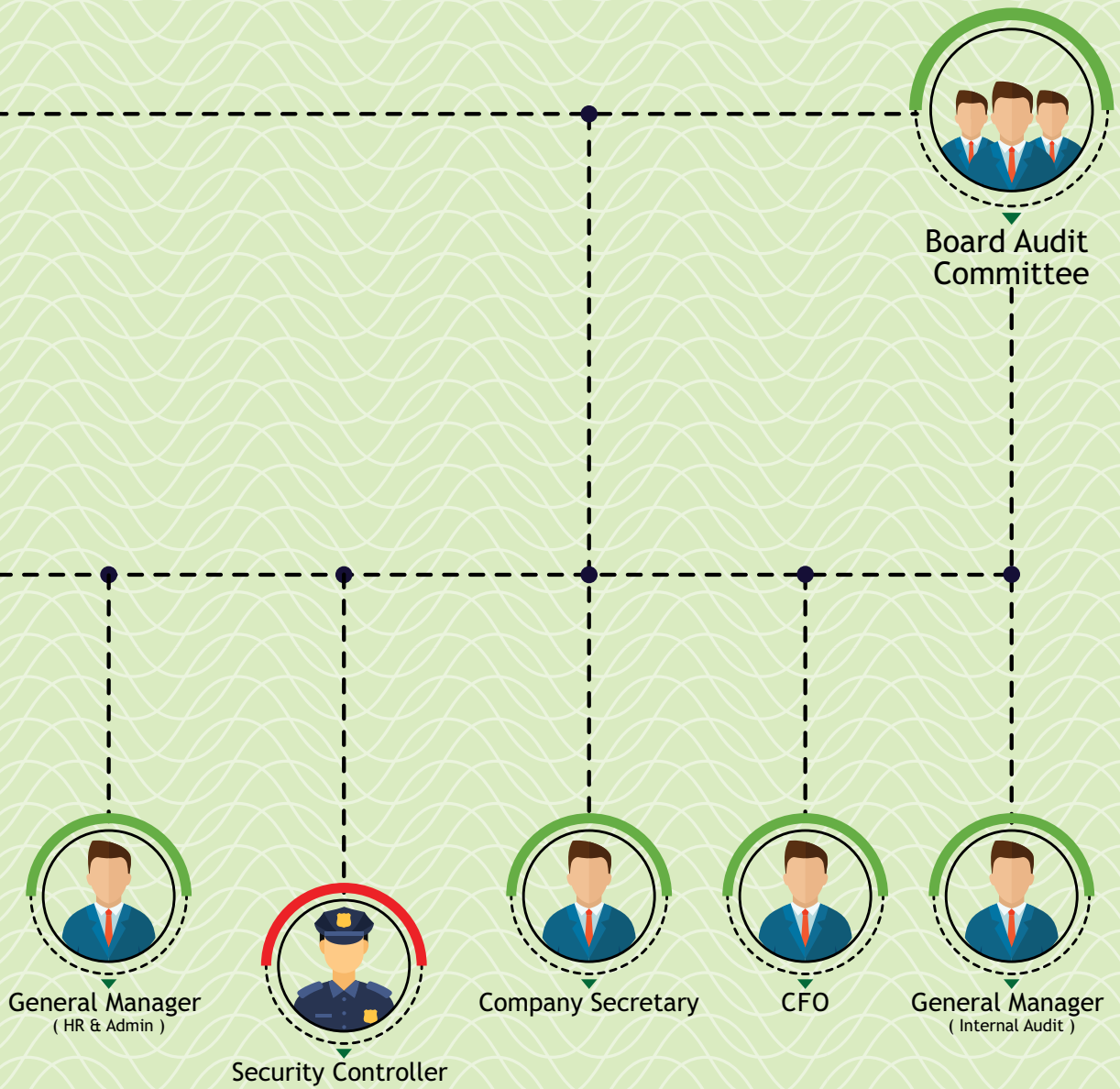
Maintaining teamwork, trust and support, with open and candid communication;

Ensuring cost consciousness in all decisions and operations.



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
Mr. Ahmad Hatami Yazd		-	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 - Minority

Chief Executive Officer

Mr. Imran Qureshi

<i>PSPC</i>	-	<i>Pakistan Security Printing Corporation (Pvt.) Limited</i>
<i>NIT</i>	-	<i>National Investment Trust Limited</i>
<i>IDRO</i>	-	<i>Industrial Development and Renovation Organization</i>
<i>SHAS</i>	-	<i>Sumer Holding A.S. Genel Mudurlugu, (formerly SEKA)</i>
<i>SLICOP</i>	-	<i>State Life Insurance Corporation of Pakistan</i>

Board Audit Committee (BAC)

Mr. Munir Ahmed	Independent	Non-Executive Director	Chairman
Mr. Jamal Nasim		Non-Executive Director	Member
Mr. Ahmad Hatami Yazd		Non-Executive Director	Member
Mrs. Uzma Aijaz	Independent	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)

Mr. Muhammad Sualeh Ahmad Faruqui	Independent	Non-Executive Director	Chairman
Mr. Mohammad Aftab Manzoor		Non-Executive Director	Member
Mr. Jamal Nasim		Non-Executive Director	Member
Mrs. Uzma Aijaz	Independent	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 Faruqi	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 Faruqi	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
Mr. Ahmad Hatami Yazd		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)
Mr. Arshad Amir	-	General Manager (PP&C, IMS and QA)
Mr. Asim Jameel	-	General Manager (Operation)
Mr. Shahbaz Ali	-	General Manager (HR&A)
Syed Ahsan Ejaz	-	General Manager (Internal Audit)
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
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

BOARD OF DIRECTORS



Mr. Muhammad Sualeh Ahmad Faruqi
(Independent and Non-Executive Director)



Mr. Jamal Nasim
(Non-Executive Director)



Mr. Ahmad Hatami Yazd
(Non-Executive Director)



Ms. Figen Caliskan
(Non-Executive Director)



Mr. Mohammad Aftab Manzoor
(Non-Executive Director)



Mrs. Uzma Aijaz
(Independent and Non-Executive Director)



Hafiz Mohammad Yousaf
(Non-Executive Director)



Mr. Munir Ahmed
(Independent and Non-Executive Director)



Mr. Imran Qureshi
(Chief Executive Officer)



Mr. Shafqaat Ahmed
(Non-Executive Director)



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 Hellenic Sun (Pvt.) Limited.



Mr. Muhammad Sualeh Ahmad Faruqi
(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 2020. He is an Independent Non-Executive Director. He is the Chairman of (i) Board Human Resource & Remuneration Committee and (ii) Board Investment & Risk Management Committee and Member of (iii) 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. 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 more than 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.

Other Directorship:

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



Ms. Figen Caliskan
(Non-Executive Director)

Ms. Figen Çalışkan was appointed to the Board of Directors in July 2020. She is a non-executive director being a nominee 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.



Mr. Ahmad Hatami Yazd (Non-Executive Director)

Mr. Ahmad Hatami Yazd was appointed to the Board of Directors in May 2023.

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

He did his Graduation from University of Lancaster, U.K in B.A. Economics & Politics combined. He is a member of the Institute of Chartered Accountants in England & Wales.

Mr. Hatami Yazd has very rich professional experience working on senior management positions in diversified fields such as trade, industries, commerce, administration, oil & gas, and banking, etc. including the following:

- Managing Director of Urban & Rural Cooperative chain store.
- Vice President and Commercial Director, IRI Shipping Lines.
- Chairman and Managing Director: Bank Tejarat.
- Managing Director, Almakaseb Gneral Trading Company Dubai, UAE, affiliated to Bank Melli.
- General Manager Marketing, NIOC Crude Oil.
- Metalco Trading Company (Hinduja Group).
- Vice President, Economic Affairs, IDRO.
- Member of the Board of Directors, Vice President Bank Industry and Mines.
- Deputy Minister of Industry Economic & Commercial Affairs.
- Chairman and Managing Director of Bank Saderat.
- Project Director, National Iranian Gas Export Company.
- Chairman of Middle East Strategies Limited.
- Advisor to Managing Director, Pars Oil and Gas Company.
- Advisor to Managing Director, Oil Industries' Engineering and Construction.
- Economical Financial Advisor to Oil Pension Fund Investment Co.
- Advisor to Secretary of Council (Free Trade Zone).

Other Banking Experience

- Chairman, Bank Saderat London
- Founding Member, Future Bank, Bahrain
- Deutsch Iranische Handles Bank, Hamburg
- Europaeische Iranische Handles Bank, Hamburg

Other Experiences

Non- Executive Director and Board Member at following state-controlled companies:

- Khodro Industrial Group
- Industrial Project Management
- Hepco: Manufacturer of heavy construction vehicles and equipment

- Rena: Portfolio Investment Group
- Petrochemical Investment Company
- Karoon Cement - Cement Plant Project Audit Firms: Bonyad Audit Institute
- Mofid Rahbar Audit Institute
- Security Papers Limited
- Ghadir Textile Machinery (Yazd)
- Rahbaran Javan Arman (Holding Co.)
- Jey Oil Refining Co.

Private Companies' Board Membership

- Industrial Nuts & Bolts Company
- FTZ Services Company (Free Trade Zones)
- Zarrin Motor Oil (Recycle Process)
- Amin Brokers, TSE
- Middle East Strategies; (Management Consultant)



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 a Non-Executive Director. She is Member of the (i) Board Audit Committee and (ii) Board Human Resource & Remuneration Committee.

Other Directorship:

Gulf Builder and Developers (Private) Limited.



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 Chairman of (i) Board Strategic Committee, also a Member of the (ii) Board Audit 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



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 Chairman of Board Audit Committee and Member of the Board Human Resource & Remuneration Committee and Board Investment & 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. 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.

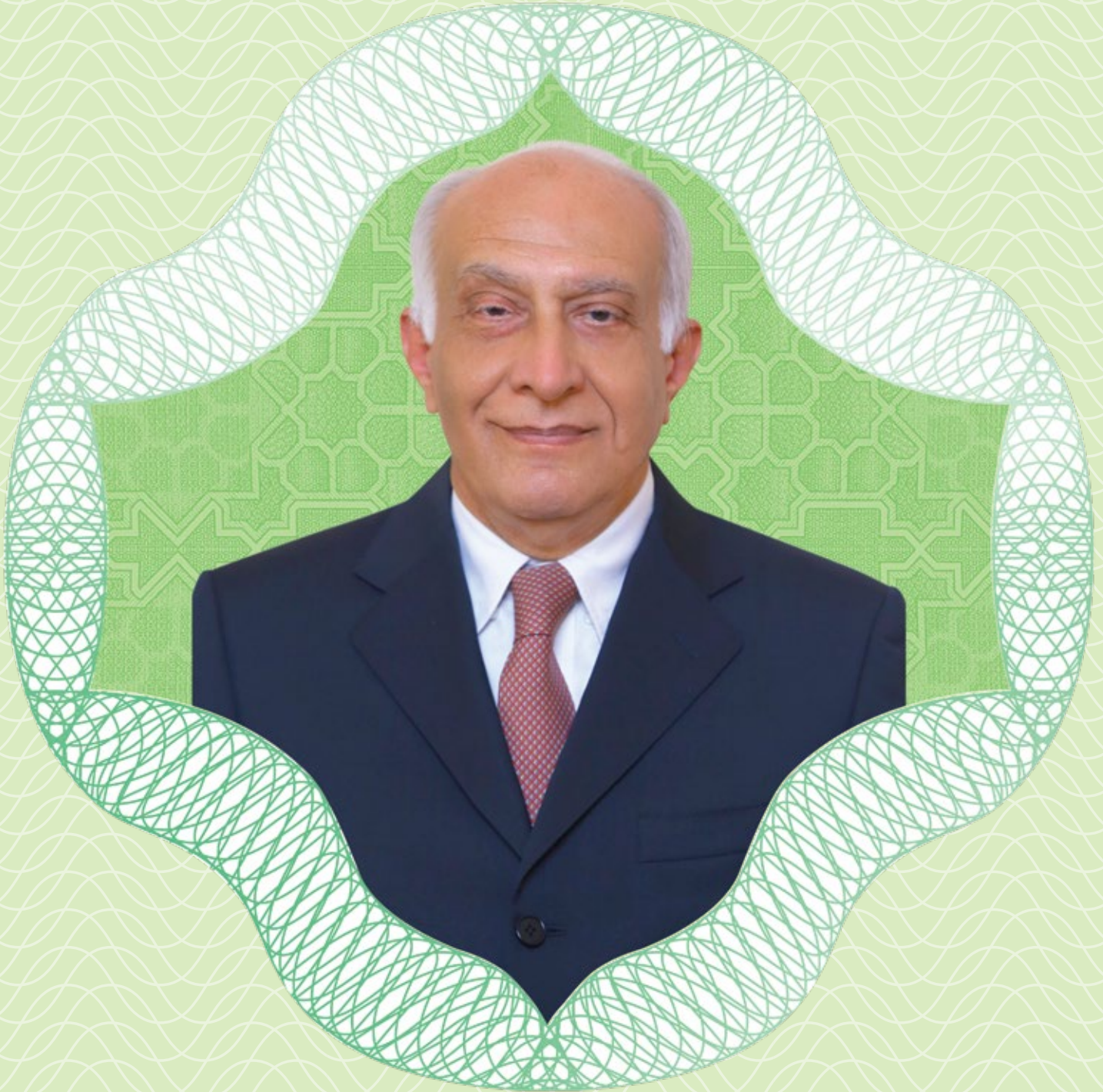
Mr. Imran Qureshi holds MBA Degree in Marketing from South Eastern University and a Bachelor of Engineering Degree along with a diploma in strategic Leadership from Oxford University, UK.

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 Annual Report together with the audited Financial Statements for the Financial Year ended June 30, 2023 to the stakeholders of Security Papers Limited (SPL or the Company) and to share the Board's performance in guiding the Company towards achievement of its strategic goals and objectives.

Economic Environment

The Financial Year 2022-23 has been a challenging one for Pakistan's economy, economic activity was heavily hampered by floods, political unrest and a balance-of-payments crisis. The geopolitical situation, difficult financial environment, and high inflationary pressures have all had a substantial impact on the prospects for global growth. All these factors posed significant economic risks for Pakistan's economy as well.

Excessive external borrowings by the country over the years raised the risks of default, causing the currency to fall and making imports more expensive in relative terms. To achieve price stability and maintain stable expectations, central bank has responded with sharp policy tightening to bring inflation closer to the target. Inflation fell to 29.4% in June from May's record high of 38.0%.

Turning to FY 2024, the economy appears to be turning over a new leaf. The IMF agreed to a USD 3 billion bailout with the government. The agreement will help unlock further funding from other creditors. That said, the government was forced to revise its budget to secure the IMF deal, cutting spending and raising taxes. The overall vision of the government is to achieve sustainable GDP growth with price stability over the medium term. The government is trying to rebuild confidence of investors by addressing macroeconomic imbalances through an optimal policy mix.

Business Overview

During the year, the country faced a number of challenges including rising international commodity prices, 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, the Company has displayed a resilient financial performance in a challenging business environment by making a record sale of Rs 5,795 million (June 2022: Rs 5,147 million) and attaining profit after tax of Rs 967 million (June 2022: 949 million). The earnings per share worked out to Rs 16.33 as compared to Rs 16.02 during the corresponding period, which reiterates our ongoing commitment to creating shareholders' value.

Higher inflation and rupee depreciation continued to exert significant pressure on the overall economy in general and manufacturing industry in particular. 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 and optimize the production capacity.

The Company achieved a sales volume of 4,048 tons of Banknotes and other Security Paper products as compared to 4,176 tons last year. Bank note Paper sales at Rs 4,665 million (June 2022: Rs 4.301 million) grew by 8.5% during the year under review driven by increase in selling prices received from our major customer, Pakistan Security Printing Corporation. The sale of other Security Paper at Rs 1130 million (June 2022: Rs 846 million) that mainly includes Ballot Paper, Passport Paper and Educational degrees and Certificate Paper grew by 33.57% primarily due to supply of ballot paper to Election Commission of Pakistan.

The Company is constantly exploring business development opportunities to expand its footprint in other Security Paper products. We have added ballot paper to our product line to increase profitability and achieve high sales volume from new products. Product diversification is also achieved by improving the quality of products to expand products related to current business.

The Company is keen to acquire latest technology and continues to invest in the resources by pursuing an ambitious program of plant upgrade to modernize its production facilities. Our first strategic priority is to invest in order to drive our future growth. We continue to undertake significant capital expenditure to tap the potential of growing demand for security paper by expanding production facilities.

CHAIRMAN'S REVIEW

Environment, Social and Governance

The Board is aware that Environmental, Social and Governance (ESG) initiatives help the businesses attract investors, build customer loyalty, improve financial performance and make operations sustainable. The Company's ESG strategy adjusts environmental, social and governance practices to increase business sustainability and conducting business in a way that provides long-term value. The Company's ESG plan demonstrates our commitment to risk management, cost reduction and care for the environment. It also indicates that the Company has a strong stance on socio economic issues including customer satisfaction.

We remain fully committed to Corporate Governance and Business Ethics. 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 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.

Board Performance

We continue to bring in new skills and capabilities to the Board. During the year, we welcomed Mr. Ahmad Hatami Yazd as a Non-Executive Director.

The Board has a major role of oversight and planning. The Board sets the overall strategy and direction for the management to manage the Company. The Board also regularly delegate some of its duties to the Board Committees. The Board Committees act as a subset of the full Board. Committees provide regular reports to the Board on the matters they're charged with handling. The Board has an evaluation process to assess its own performance as well as governance areas.

The Board also addresses uncertainties and how it can capitalize on opportunities for the future, while identifying and managing real and potential risks. To inspire trust from investors, the Board ensures to be able to articulate its plans for the future so that investors have a clear picture of the long-term outlook.

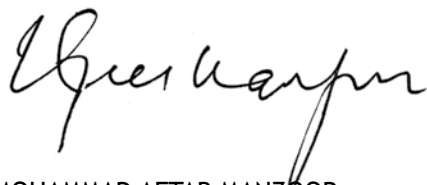
I would also like to acknowledge the commitment and diligence of my fellow Directors during the year under review and thank the outgoing Chief Executive Officer (CEO) for his inspiring leadership and would also like to extend warm welcome to the new CEO.

Dividend Announcement

The Board is mindful of the value that many shareholders attach to dividends. To pass on the benefit of the Company's achievements to the shareholders, the Board has recommended paying cash dividend of Rs 11/- per share i.e., 110%.

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.



MOHAMMAD AFTAB MANZOOR

Chairman

Dated: September 13, 2023

SURPASSING THE BEST

2nd Position
Best Corporate
Report Award
2021

4th Position
18th Environment
Excellence Award
2021

4th Position
Best Sustainability
Report Award
2021

1st Position
36th MAP
Corporate
Excellence
Award

4th Position
16th Occupational
Safety, Health
and Wellbeing
Award 2021

37th
Corporate
Excellence
of MAP
Award

6th Position
PSX Top
Companies
Award
2021



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, 2023.

Operating Results

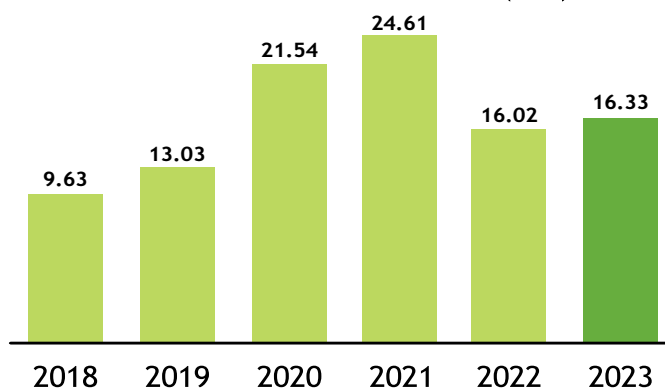
The operating results of the Company for the year ended June 30, 2023 are summarized as follows:

	2023	2022
	(Rupees in '000)	
Sales	5,794,593	5,147,258
Gross Profit	1,518,289	1,649,699
Profit before taxation	1,543,686	1,397,743
Taxation		
Current - for the year	600,471	480,754
Current - for prior year	(3,257)	(413)
	597,074	480,332
Deferred	(20,908)	(31,578)
Profit after taxation	967,380	948,989
Other comprehensive income	(20,421)	1,218
Total Income	946,959	950,207

Earnings Per Share

The earnings per share (EPS) after taxation is Rs 16.33 (FY 2022: Rs 16.02).

EARNING PER SHARE (RS)



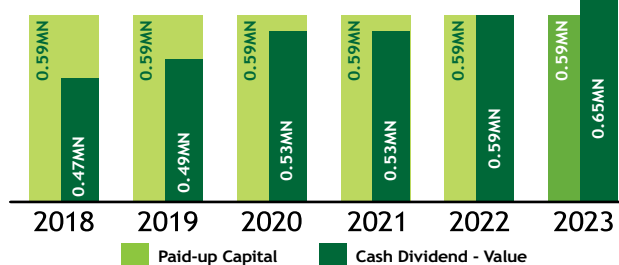
Appropriations:

Dividend

The Board of Directors of the Company has recommended

the following appropriations for the FY 2022-23 for approval of members at the Annual General Meeting to be held on October 26, 2023.

PAID-UP CAPITAL VS CASH DIVIDEND

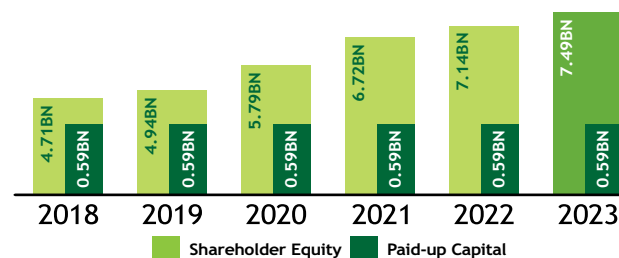


Cash dividend of Rs 11/- per share, i.e., 110% (FY 2021-22: a total cash dividend of Rs 10 /- per share, i.e., 100%).

Transfer to Revenue Reserve of Rs 295.144 Million (FY 2021-22: Rs 356.430 Million).

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

SHAREHOLDER EQUITY VS PAID-UP CAPITAL

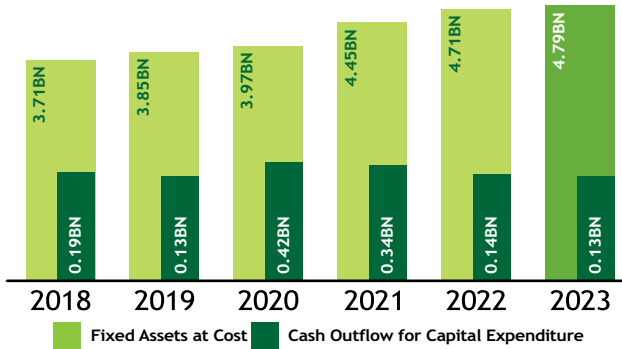


Business Review

Overall, The FY 2022-23 has been a challenging year for Pakistan's economy. The manufacturing sector remained under extreme pressure since unprecedented floods ravaged the country and the accumulative effects of the ongoing Russia-Ukraine globally conflict. The economy is currently experiencing the highest-ever inflation due to persistent supply disruptions, and surging commodity prices. There was severe rupee devaluation resulting in material cost escalations and higher inflation. Despite a very challenging business environment, the Company has displayed a resilient financial performance by making a record sales revenue of Rs.5,795 Million and posted profit after tax of Rs. 967 Million during the year under review.

DIRECTORS' REPORT

FIXED ASSETS VS CASH OUTFLOW FOR CAPITAL EXPENDITURE



Both SPL and Pakistan Security Printing Corporation (PSPC) are the key players in the supply chain of currency notes for the State Bank of Pakistan. It is indeed a matter of pleasure that during the year under review the Company has been able to conclude an updated pricing mechanism for determination of selling prices with our major customer PSPC. This exercise was started about a year ago in a very transparent and fair manner with the objective to drive formula that would ensure accountability and be acceptable to both PSPC and SPL and which would also be in line with market and industry dynamics.

For this purpose, both SPL and PSPC worked vigorously to determine and streamline a cost mechanism to be charged to PSPC for Banknote and Prize bond paper products in line with the generally accepted accounting practices. Under this mechanism the cost of Banknote paper has been reviewed by A.F. Ferguson & Co as per the agreed upon procedures designed to verify the cost of SPL products. We are pleased to inform that post conclusion of the price settlement, our gross margin on Banknotes paper which contributes more than 80% of SPL's total sales remains considerably higher as compared to consolidated gross margin of aggregated sales of other Security Papers during the year under review. Furthermore, the Company's gross margin on Banknote paper products is also significantly higher than the gross margin earned by Paper and Board sector companies in Pakistan wherein it ranges between 12 to 18 percent.

During the year under review, the cost of manufacturing banknote and other security paper products saw significant increases as the prices of key raw materials and utilities increased substantially owing to unprecedented inflationary trends and devaluation of Pak Rupee. Due to the specialty nature of much of our inputs, there is little

ability to switch to alternatives in an attempt to mitigate these cost increases.

The Board has been closely monitoring the performance of the business to achieve continued improvements in productivity while optimizing costs and processes to ensure sustainable growth of the Company. The Management was much focused on internal efficiencies and improving quality of our products and determined efforts were made to reduce the cost of doing the business. 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.

SPL is a recognized security paper producing organization engaged in developing diversified security paper products by leveraging core competencies. Innovation is the driving force behind SPL to stay ahead of the counterfeiters. We have significantly strengthened our balance sheet to provide the Company with greater flexibility to deliver long term shareholders value. The Company's return on capital employed for the year was 12.77% which demonstrates its ability to generate good returns on investments.

The Company endeavors to keep pace with changing business environment to meet the demand of our customers, thus ensuring growth and sustainability. The Company is committed to enhancing its product base and to be leader in manufacturing of security paper 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.

The Board of Directors, Board Audit Committee, and Executive Committee comprising of the senior management team led by the Chief Executive Officer are responsible for oversight of the Company's operations and to evolve proactive strategies to mitigate any potential adverse impact of major risks.

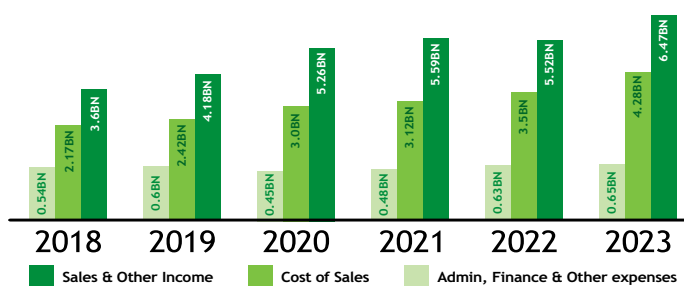
Operational Performance

In a challenging business environment coupled with supply-side shocks caused by the devastating floods exerted huge pressure on the economy and pushed up the prices of the materials and fuel items. To combat this challenge, a number of cost effective and profit improvement initiatives were taken to ensure effective controls on cost and maintain efficient operations.

DIRECTORS' REPORT

The Company was able to achieve production volumes at 4,043 tons (FY 2021-22: 4,187 tons) and sales volume at 4,048 tons (FY 2021-22: 4,176 tons) during the year under review. In terms of value, net sales of the Company increased to Rs. 5.795 billion as compared to Rs 5.147 billion during the corresponding period. The increase in sales revenue is attributable to significant price adjustment received on sales of Banknote paper to our major customer Pakistan Security Printing Corporation (PSPC).

TOTAL REVENUE & EXPENSES



The Company earned gross profit of Rs 1,518 Million during the year under review as compared to Rs 1,650 Million in the previous year. The gross profit percentage increased to 26.20% as compared to 17.36% for the nine months period ended March 31, 2023 primarily due to the reason that the price adjustment from PSPC under the new pricing mechanism has been accounted for in the last quarter of the Financial Year ended June 30, 2023. Furthermore, overall, the Company has earned better margins on sales of Banknote Papers to Pakistan Security Printing Corporation as compared to other Security Paper products.

Other income increased by Rs 304 Million during the year under review as compared to the corresponding period mainly due to improved profit rates on fixed income securities and better negotiated profit rates on bank placements.

The Directors report that your Company has managed to achieve the best possible bottom line as profit before tax for the year stood at Rs 1,544 million (FY 2021-22: Rs 1,398 million) and profit after tax stood at Rs 967 million (FY 2021-22: Rs 949 million), despite all odds and challenging circumstances prevailing during the year under review.

The Company had initiated certain projects last year, most of which projects have been completed while some are still under execution. The Board was much focused on improving performance at work place and 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.

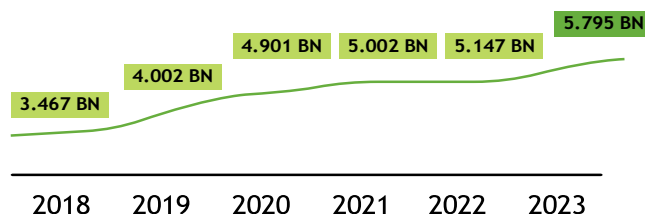
Production

The Company operated at optimum production capacity to meet the demand for Banknote and other Security Paper products. The Company was able to produce high quality Banknote Paper and other Security Paper products during the year under review. The management was able to keep cost of production at optimum level by controlling production losses, utilizing resources effectively, and maximizing output to achieve economy of scales. The management is committed to meet the customers' demand by optimizing production, bringing operational efficiencies and re-enforcing cost control measures. Technical matters were handled well by trained and experienced technicians and engineers. A system of preventive maintenance was in place and all production processes were effectively monitored, corrective actions were taken and preventive measures were planned and implemented.

Sales

The net sales revenue of the Company for the year ended 30th June 2023 had increased to Rs 5,795 Million showing an increase of Rs 647 Million over the last year.

SALES



The increase in sales was mainly contributed by Banknote Paper. The Company achieved a sales volume of 4,048 tons as against 4,176 tons during the corresponding period which includes Banknote Paper, Passport Paper, Ballot Paper and Board and Degree Papers.

Bank note sales grew by 8.5% during the year under review. The growth in sales was primarily achieved on account of increase in selling prices allowed by PSPC. Margins remained under pressure due to rising costs of raw material and production overheads. A combination of cost reduction and cost control measures helped to manage profitability for the business.

Other Security Paper mainly includes Ballot Paper, Passport Paper and Educational Degree and Certificate

DIRECTORS' REPORT

Paper. Sales of these products grew by 33.46% due to higher demand from our customers.

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 has strategic nature of operations as its products are of highest national importance. The Company continued to demonstrate its strong commitment to Safety, Health and Environment. For sustainable business growth, Company has established internationally recognized Integrated Management System comprising of Occupational Health and Safety (OH&S) Management System (ISO 45001:2018), Environment Management System (ISO14001:2015) and Quality Management System (ISO 9001:2015) Certifications.

Personal protective equipment has been provided to all relevant departments to ensure their appropriate usage. A review of hazard identification and risk assessment is regularly carried out by the health and safety surveillance committee. The Company carries out incident / accident analysis and follow up for corrective / preventive measures to reduce accidents.

Firefighting, Managing Safety at workplace, Healthcare Policy Awareness, Chemical spill, Materiality Assessment & Stakeholder Engagement, were also conducted. Further more, technical trainings on behavioral safety and job hazard analysis, permit to work, sessions etc. were conducted both by internal and external reputable trainers/facilitators.

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. In this context, a large number of

trees were planted to comply with Sindh Environmental Protection Agency's requirements during FY 2022-23.

Board and Committees Changes

The following changes had taken place since the previous year's Annual Report:

Mr. Ahmad Hatami Yazd, non-executive Director joined the Board as nominee of Industrial Development and Renovation Organization of Iran in place of Dr. Abolghassem Jamshidi.

As a result of foregoing changes on the Board of Directors of the Company, necessary consequential changes were also made on various Board Committees.

The Board welcomed the new director and appreciated the valuable contribution of the outgoing Director 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 28).

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 below:

Total Number of Directors

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

Composition:

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

Name of Directors

Mr. Mohammad Aftab Manzoor	- Chairman
Mr. Muhammad Suaheh Ahmad Faruqi	- Director - Independent
Mr. Munir Ahmed	- Director - Independent
Mrs. Uzma Aijaz	- Director - Independent
Mr. Jamal Nasim	- Director
Mr. Ahmad Hatami Yazd	- Director
Ms. Figen Caliskan	- Director
Hafiz Mohammad Yousaf	- Director
Mr. Shafqaat Ahmed	- Director
Mr. Imran Qureshi	- Chief Executive Officer

* The Board in its 330th Board meeting held on June 22, 2023, was informed that one independent director

DIRECTORS' REPORT

has been reclassified as a non-executive director. Accordingly, as of 30th June 2023, the Board consisted of Mr. Munir Ahmed and Mr. Muhammad Sualeh Ahmed Faruqi as independent directors. The term of the Board is due to expire in September 2023 and the Company expects that the requisite number of independent directors would be elected in the upcoming General Meeting of the Company.

Directors Remuneration

All Directors of the Company are non-executive Directors. 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, 2023 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 manage the social, environmental and economic effects of its operations responsibly and in line with public expectations. In today's world, customers, employees and other stakeholders judge a company by how its activities impact the community, economy, environment and society at large.

During the year under review, ensuring its commitment of supporting quality health care projects in the country, SPL contributed Rs 3.9 MN in the Health Sector by collaborating with Indus Hospital.

Pakistan has gone through humanitarian crises as a result of unprecedented floods caused due to heavy monsoon rains. As a responsible corporate citizen, the Company initiated flood relief CSR by donating Rs 5 MN to Prime Minister's Flood Relief Fund.

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.

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 and has established an efficient system of internal financial controls for efficient conduct of operations, safeguarding of Company's assets, compliance with applicable laws and regulations and reliable financial reporting. The Board also monitors management's response to accounting and reporting control deficiencies and weaknesses.

The independent Internal Audit function of the Company regularly appraises and monitors the implementation of financial controls, whereas the Audit Committee reviews the effectiveness of the internal control framework and financial statements on quarterly basis.

Internal controls comprise of procedures implemented to ensure the integrity of financial information and ensuring regulatory compliance. The internal controls are designed through risk-based assessments. Internal audit plays an important role in evaluating the effectiveness of these internal control systems. The internal control system is designed to provide reasonable assurance regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. In order to combat irregularities and discrepancies, the Company has built a strong system of internal control based on the five pillars of internal controls i.e., control environment, risk assessment, corporate governance, information and communication, and monitoring.

DIRECTORS' REPORT

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

Risk management is the responsibility of the Board, supported by the risk management Committee. The Committee is instrumental in identifying, mitigating and managing risks. The Board reviews principal risks facing the Company and considers whether they reflect an acceptable level of risk. Where this is not the case, the Board also considers what is required to reduce the likelihood and potential impact of the risk. The Board either approves the level of risk being taken, or requires management to reduce the risk exposure.

The Company maintains risk registers to identify the risks, their potential impact and likelihood of occurrence, the key controls and management processes established to mitigate these risks, and the investment and time scales agreed to reduce the risk to an acceptable level within the Board's risk appetite.

The Board receives regular updates on risk management and material changes to risk, while the Board Audit Committee also reviews the Company's risk report. Management is responsible for implementing and maintaining controls. The Board has undertaken a robust risk assessment to identify these risks.

Operational risks relate to customers relationship, project management 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. 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 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 61).

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.

DIRECTORS' REPORT

As suggested by the Board Audit Committee, the Board recommended the appointment of A. F. Ferguson & Co., Chartered Accountants as auditors of the Company for the year 2023-24.

Contribution to the National Exchequer

During the year under review the Company contributed an amount of Rs 1,624 Million to the national exchequer on account of direct and indirect taxes and levies as compared to Rs 1,403 Million during the corresponding period. In addition, the Company had also made foreign exchange savings of US\$ 20.19 Million (approx.) through import substitution during the year.

Forward Looking Information

Over last many years, the Company has successfully maintained its position as the sole manufacturer of Banknote and other Security Paper products. We continue to have a positive outlook on the long-term growth potential of the business as the Company is striving hard to strengthen its business operations.

The Company may experience a difficult period going forward as the business environment will be highly challenging owing to political instability and low levels of foreign exchange reserves. The ongoing Russia-Ukraine conflict, Global Energy and Commodities prices and availability situation, and consequential adverse balance of trade of Pakistan, may keep the outlook for the manufacturing sector somewhat uncertain.

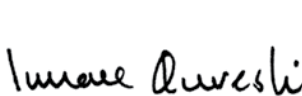
The management remains fully committed towards managing these challenges and delivering sustainable profitable growth capitalizing on our strengths. We will continue to focus on quality improvement, innovations and opportunities in a challenging macroeconomic, political and social environment to improve 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. The Board of Directors is also thankful to 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



Munir Ahmed

Director

Karachi

Dated: September 13, 2023


کی صلاحیت پر مکمل یقین رکھتے ہیں کیونکہ کمپنی اپنے کاروباری آپریشنز کو مضبوط بنانے کی بھرپور کوشش کر رہی ہے۔ کمپنی کو مستقبل میں مشکل صورت حال کا سامنا کرنا پڑ سکتا ہے کیونکہ سیاسی عدم استحکام اور زرمبادلہ کے ذخائر کی کمی سے کاروباری ماحول انتہائی مشکل ہوگا۔ روس اور یوکرین کے درمیان جاری تنازعہ، عالمی توانائی اور اشیاء کی قیمتوں اور دستیابی کی صورت حال اور نتیجے میں پاکستان کی تجارت میں منفی رجحان، مینوفیکچرنگ سیکٹر کے آؤٹ لک کو کسی حد تک غیر یقینی بنا سکتا ہے۔

انتظامیہ ان چیلنجز سے نمٹنے اور اپنی صلاحیتوں سے فائدہ اٹھاتے ہوئے پائیدار اور منافع بخش ترقی کی فراہمی کے لیے پوری طرح پرعزم ہے۔ ہم پیداواری صلاحیت کو بہتر بنانے اور شیئر ہولڈرز کی قدر میں اضافہ کرنے کے لیے ایک مشکل میکرو اکنامک، سیاسی اور سماجی ماحول میں معیار کی بہتری، جدت کے حصول اور مواقع پر توجہ مرکوز کرتے رہیں گے۔ کمپنی وقتاً فوقتاً مختلف اقدامات کے ذریعے اپنی مینوفیکچرنگ صلاحیت میں بہتری لاتی رہی ہے۔ کمپنی دستیاب پیداواری صلاحیت کے مکمل استعمال سے اپنی سیلز کے حجم کو بہتر بنانے کی کوشش کرے گی اور ضرورت پڑنے پر پروڈکٹس کی قیمتوں پر نظر ثانی کی جائے گی تاکہ اخراجات میں اضافے کے اثرات کو کم کیا جائے۔

اظہار تشکر

بورڈ کمپنی مقاصد کے حصول کے لیے ملازمین کی جانب سے انتھک محنت اور کوششوں کو قدر کی نگاہ سے دیکھتا ہے اور ان کا شکریہ ادا کرتا ہے۔ بورڈ آف ڈائریکٹرز کمپنی کے شیئر ہولڈرز، صارفین اور دیگر اسٹیک ہولڈرز کے مسلسل تعاون کا شکریہ ادا کرتے ہیں جس سے مزید بہتری اور کامیابی وابستہ ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے


Umar Qureshi
عمران قریشی
چیف ایگزیکٹو آفیسر
کراچی

تاریخ: 13 ستمبر 2023

بورڈ کورسک مینجمنٹ اور خطرات سے متعلق اہم تبدیلیوں کے بارے میں باقاعدہ اپ ڈیٹس موصول ہوتے ہیں، جبکہ بورڈ آڈٹ کمیٹی کمپنی کی رسک رپورٹ کا بھی جائزہ لیتی ہے۔ انتظامیہ ان کنٹریولز کو نافذ کرنے اور برقرار رکھنے کی ذمہ دار ہے۔ بورڈ کے پاس ان خطرات کی نشاندہی کرنے کے لیے مضبوط جائزہ کے انتظامات ہیں۔ صارفین سے تعلقات، پروجیکٹ مینجمنٹ رسک اور انفارمیشن ٹیکنالوجی سے متعلق خطرات کا تعلق کاروباری خطرات سے ہے۔ 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 کے خطرات، مارکیٹ کے خطرات اور لیکویڈیٹی کے خطرات شامل ہیں۔ سال کے دوران کمپنی نے کم خطرے والی محتاط حکمت عملی پر عمل کیا اور سرپلس فنڈز کو حکومتی سیکورٹیز میں رکھا۔ کمپنی ضرورت کے وقت واجبات کی ادائیگی کے لیے مناسب لیکویڈیٹی کے یقینی بنا کر لیکویڈیٹی 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۔

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 کمینیز 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

’لہٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز (CCG) 2019 پر عمل درآمد سے متعلق بیان‘، صفحہ نمبر 61 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 پی ڈبلیو ای اے ایف فرگوسن اینڈ کو۔ چارٹرڈ اکاؤنٹنٹس کو سال 2023-2024 کے لئے 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 ٹیکسز اور لیویز پر مشتمل 1,624 ملین روپے ٹیکسوں کی مد میں جمع کرائے جو گزشتہ سال کے دوران 1,402.87 ملین روپے تھے اس کے علاوہ سال کے دوران برآمدات میں کمی کے ذریعے کمپنی نے ملک میں 20.19 ملین ڈالر (تقریباً) کا قیمتی زرمبادلہ بچایا۔

مستقبل کے حوالے سے تفصیلات

پچھلے کئی سالوں میں، کمپنی نے کامیابی کے ساتھ بینک نوٹ اور دیگر سیکورٹی پیپر پروڈکٹس کے واحد مینوفیکچرر کے طور پر اپنی پوزیشن کو برقرار رکھا ہے، ہم کاروبار کی طویل مدتی ترقی

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

ادائیگیوں، قرض / قرض کے ٹیکس اور ڈیوٹیز کی نادرہنگی
کمپنی واجب الادا رقم کی واپسی کے شیڈول پر عمل کرتی ہے۔ مزید برآں، زیر جائزہ مالیاتی سال کے اختتام پر ٹیکسز، ڈیوٹیز اور لیویز کی مد میں کوئی ادائیگی زائد المیعا 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

بورڈ انتظامیہ کے ذریعے اندرونی کنٹرولز کی ترقی اور نفاذ کی نگرانی کرتا ہے اور اس نے آپریشنز کے موثر انعقاد، کمپنی کے اثاثوں کی حفاظت، قابل اطلاق قوانین اور ضوابط کی تعمیل اور قابل اعتماد مالیاتی رپورٹنگ کے لیے اندرونی مالیاتی کنٹرول کا ایک موثر نظام قائم کیا ہے۔ بورڈ اکاؤنٹنگ اور رپورٹنگ کنٹرول کی خامیوں اور کمزوریوں کے بارے میں انتظامیہ کے رد عمل کا جائزہ بھی لیتا ہے۔

کمپنی کا خود مختار انٹرنل آڈٹ فنکشن مالیاتی کنٹرولز پر عمل درآمد کی باقاعدگی سے جانچ اور نگرانی کرتا ہے، جبکہ آڈٹ کمیٹی سماہی بنیادوں پر اندرونی کنٹرول کے فریم ورک اور مالیاتی اسٹیٹمنٹ کے اثرات کا جائزہ لیتی ہے۔

داخلی کنٹرول مالی معلومات کی حفاظت اور ریگولیٹری تعمیل کو یقینی بنانے کے لیے لاگو کیے گئے طریقہ کار پر مشتمل ہے۔ انٹرنل کنٹرول خطرے پر مبنی جائزوں کے پیش نظر بنائے گئے ہیں۔ انٹرنل آڈٹ ان انٹرنل کنٹرول سسٹم کی فعالیت کا جائزہ لینے میں اہم کردار ادا کرتا ہے۔ انٹرنل کنٹرول سسٹم کو آپریشنز کی فعالیت اور کارکردگی، مالیاتی رپورٹنگ کے اعتماد اور لاگو قوانین اور ضوابط کی تعمیل کے حوالے سے مناسب یقین دہانی فراہم کرنے کے لیے ڈیزائن کیا گیا ہے۔ قوانین کی خلاف ورزی اور تضادات سے نمٹنے کے لیے، کمپنی نے اندرونی کنٹرول کے پانچ ستونوں یعنی ماحول پر ضابطے، خطرے کی تشخیص، کارپوریٹ گورننس، معلومات، کمیونٹی کیشن اور نگرانی پر مبنی انٹرنل کنٹرول کا ایک مضبوط نظام بنایا ہے۔

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 مشروط آڈٹ رپورٹ جاری کی ہے۔

رسک مینجمنٹ

رسک مینجمنٹ بورڈ کی ذمہ داری ہے جسے رسک مینجمنٹ کمیٹی کی مدد حاصل ہے۔ کمیٹی خطرات کی نشاندہی، قابو پانے اور انتظام میں اہم کردار ادا کرتی ہے۔ بورڈ کمپنی کو درپیش بنیادی خطرات کا جائزہ لیتا ہے اور اس بات پر غور کرتا ہے کہ آیا وہ خطرے کی قابل قبول سطح کی عکاسی کرتے ہیں۔ جہاں ایسا نہیں ہے، بورڈ اس بات پر بھی غور کرتا ہے کہ خطرے کے امکانات اور ممکنہ اثرات کو کم کرنے کے لیے کیا ضروری ہے۔ بورڈ یا تو خطرے کی سطح کی منظوری دیتا ہے یا خطرے کی نشاندہی کو کم کرنے کے لیے انتظام کی ضرورت ہوتی ہے۔ کمپنی خطرات، ان کے ممکنہ اثرات اور ہونے کے امکانات، ان خطرات پر قابو پانے کے لیے قائم شدہ اہم کنٹرولز اور مینجمنٹ پروسیس، اور بورڈ کی طرف سے خطرے کی نشاندہی کے پیش نظر خطرے کو ایک قابل قبول سطح تک کم کرنے پر رضامندی کے لیے رسک رجسٹر کو برقرار رکھتی ہے۔

جناب محمد صالح احمد فاروقی
جناب منیر احمد
محترمہ عظمیٰ اعجاز
ڈائریکٹر، آزاد
ڈائریکٹر، آزاد
ڈائریکٹر، آزاد

جناب جمال نسیم
جناب احمد حاتمی یزد
محترمہ گلن کالسن
حافظ محمد یوسف
جناب شفقات احمد
جناب عمران قریشی
ڈائریکٹر
ڈائریکٹر
ڈائریکٹر
ڈائریکٹر
ڈائریکٹر
چیف ایگزیکٹو آفیسر

*22 جون 2023 کو منعقدہ بورڈ کے اپنے 330 ویں بورڈ اجلاس میں بتایا گیا کہ ایک آزاد ڈائریکٹر کی نان ایگزیکٹو ڈائریکٹر کے طور پر دوبارہ درجہ بندی کی گئی ہے۔ اسی طرح، 30 جون 2023 کو بورڈ جناب منیر احمد اور جناب محمد صالح احمد فاروقی آزاد ڈائریکٹرز پر مشتمل تھا۔ بورڈ کی مدت ستمبر 2023 میں ختم ہونے والی ہے اور کمپنی پر امید ہے کہ کمپنی کی آئندہ سالانہ جنرل میٹنگ میں مطلوبہ تعداد میں آزاد ڈائریکٹرز کا انتخاب کیا جائے گا۔

ڈائریکٹرز کا مشاہرہ

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 ڈائریکٹرز کو ادائے 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) (2) 227 کے مطابق 30 جون 2023 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۔

زیر جائزہ سال کے دوران، ملک میں معیاری ہیلتھ کیئر پروڈیکٹس کے ساتھ تعاون جاری رکھنے کے اپنے عزم کا اعادہ کرتے ہوئے، SPL نے انڈس ہسپتال کے ساتھ 3.9 ملین روپے کی امداد کی۔

پاکستان میں ہونے والی غیر معمولی مون سون بارشوں کے نتیجے میں سیلابی صورتحال نے انسانی المیہ کو جنم دیا۔ ایک ذمہ دار کارپوریٹ شہری کے طور پر، کمپنی نے پرائمری نیشنل ریلیف فنڈ میں 5 ملین روپے کے تعاون سے سیلاب متاثرین کی بحالی کے اقدامات میں اپنا حصہ ملایا۔

(ISO 14001:2015) اور کوالٹی مینجمنٹ سسٹم (ISO 9001:2015) سرٹیفیکیشن شامل ہیں۔ تمام ڈپارٹمنٹس کو ذاتی حفاظت کے آلات فراہم کیے گئے ہیں تاکہ ان کے درست استعمال کو یقینی بنایا جاسکے۔ ہیلتھ اینڈ سیفٹی سروسز کی کمیٹی کے ذریعے باقاعدگی سے خطرے کی نشاندہی اور خطرے کی تشخیص کا جائزہ لیا جاتا ہے۔ کمپنی حادثات/حادثات پر غور و فکر کے امور انجام دیتی ہے اور حادثات کو کم کرنے کے لیے حفاظتی/احتیاطی اقدامات کا جائزہ لیتی رہتی ہے۔

آگ بجھانا (فائر فائٹنگ)، کام کی جگہ پر حفاظتی انتظام کرنا، ہیلتھ کیئر پالیسی سے آگاہی، کیمیکل اسپل، میٹریلیٹس اسسمنٹ اور اسٹیک ہولڈر انگیجمنٹ بھی منعقد کی گئی۔ اس کے علاوہ، اخلاقی تحفظ اور ملازمت کے خطرات کے تجزیہ، کام کرنے کا اجازت نامہ، دیگر سیشنز وغیرہ کے بارے میں تکنیکی ٹریننگ انڈرونی اور بیرونی معروف ٹرینرز/سہولت کاروں کے ذریعے منعقد کی گئیں۔

SGS پاکستان (پرائیویٹ) لمیٹڈ کی جانب سے انوائرنمنٹ مینجمنٹ سسٹم سے متعلق کامیاب ری سرٹیفیکیشن آڈٹ، پلانٹ کے آپریشنز، ملازمین اور کمیونٹی کے لیے محفوظ ماحول کا یقین دلاتا ہے۔ آلودگی پر قابو پانے کے لیے فیکٹری ایریاز میں اور اس کے آس پاس صفائی اور سربز ماحول کو برقرار رکھا جاتا ہے۔ اس ضمن میں، مالی سال 2022-23 کے دوران سندھ انوائرنمنٹل پروٹیکشن ایجنسی کے تقاضوں کی تعمیل میں بڑی تعداد میں درخت لگائے گئے۔

بورڈ اور کمیٹیوں میں تبدیلیاں

گزشتہ سال کی سالانہ رپورٹ کے بعد درج ذیل تبدیلیاں واقع ہوئیں۔

جناب احمد حاتمی یزد، نان ایگزیکٹو ڈائریکٹر نے ڈاکٹر ابوالغاسم جمشیدی کی جگہ، ایران کی صنعتی ترقی اور ترمین و آرائش کی تنظیم کے نامزد امیدوار کے طور پر بورڈ میں شمولیت اختیار کی۔

کمپنی کے بورڈ آف ڈائریکٹرز میں پیشگی تبدیلیوں کے نتیجے میں بورڈ کی مختلف کمیٹیوں میں بھی ضروری تبدیلیاں کی گئیں۔

بورڈ نے نئے ڈائریکٹر کا خیر مقدم کیا اور سبکدوش ہونے والے ڈائریکٹر کی بورڈ آف ڈائریکٹرز اور اس کی مختلف کمیٹیوں میں رہتے ہوئے گراں قدر خدمات کو سراہا۔

چیئر مین کا جائزہ

ڈائریکٹرز کا بورڈ اس رپورٹ کے صفحہ نمبر 28 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 ذیل میں درج ہے:

ڈائریکٹرز کی کل تعداد

8	الف) مرد
2	ب) خواتین

تشکیل

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

ڈائریکٹرز کے نام

جناب محمد آفتاب منظور
چیئر مین

کمپنی نے زیر جائزہ سال کے دوران 1,518 ملین روپے کا مجموعی منافع کمایا جو گزشتہ سال میں 1,650 ملین روپے تھا۔ 31 مارچ 2023 کو ختم ہونے والے 9 ماہ کے لیے مجموعی منافع 17.36 فیصد کے مقابلے میں 26.20 فیصد ہو گیا، کیونکہ PSPC کی جانب سے قیمتوں کے نئے لائحہ عمل کے تحت 30 جون 2023 کو ختم ہونے والی مالیاتی سال کی آخری سہ ماہی میں پرائس ایڈجسٹمنٹ کی گئی۔ مزید برآں، مجموعی طور پر، کمپنی نے پاکستان سیکورٹی پرنٹنگ کارپوریشن کو بینک نوٹ پیپر کی فروخت پر دیگر سیکورٹی پیپر مصنوعات کے مقابلے میں بہتر منافع حاصل کیا ہے۔

زیر جائزہ سال کے دوران دیگر آمدنی میں گزشتہ سال کی اسی مدت کے مقابلے میں 304 ملین روپے کا اضافہ ہوا، جس کی بنیادی وجہ فلسفہ اکٹم سیکورٹیز پر منافع کی بہتر شرح اور بینک سرمایہ کاریوں پر بہتر گفت و شنید سے منافع کو بڑھانا ہے۔

ڈائریکٹرز رپورٹ کرتے ہیں کہ آپ کی کمپنی بہترین ممکنہ باٹم لائن حاصل کرنے میں کامیاب رہی ہے کیونکہ تمام تر مشکلات اور شدید حالات کے باوجود زیر جائزہ سال کے دوران قبل از ٹیکس منافع 1,543 ملین روپے (مالیاتی سال 2021-22: 1,398 ملین روپے) اور بعد از ٹیکس منافع 960 ملین روپے رہا (مالیاتی سال 2021-22: 949 ملین روپے)۔

کمپنی نے پچھلے سال کچھ منصوبے شروع کیے، ان میں سے زیادہ تر منصوبے مکمل ہو چکے ہیں اور کچھ ابھی تک زیر تکمیل ہیں۔ بورڈ نے کام کی جگہ پر کارکردگی کو بہتر بنانے پر توجہ مرکوز رکھی اور کمپنی جدت، منصوبہ بندی، اخراجات پر کنٹرول کرنے، کاروباری تجزیہ، پروڈکٹ ٹیس کو بڑھانے اور محتاط مالیاتی انتظام سمیت مختلف اقدامات کے ذریعے مستقبل کے چیلنجوں کا مقابلہ کرنے کے لیے پوری طرح تیار ہے۔

پیداوار

کمپنی نے بینک نوٹ اور دیگر سیکورٹی پیپر پروڈکٹس کی طلب کو پورا کرنے کے لیے زیادہ سے زیادہ پیداواری صلاحیت پر کام کیا۔ کمپنی زیر جائزہ سال کے دوران اعلیٰ معیار کے بینک نوٹ پیپر اور دیگر سیکورٹی پیپر پروڈکٹس تیار کرنے میں کامیاب رہی۔ انتظامیہ پیداواری نقصانات پر قابو پا کر، وسائل کے موثر استعمال اور زیادہ سے زیادہ پیداوار کے حصول سے اپنے معاشی توازن کو برقرار رکھنے میں کامیاب رہی۔ انتظامیہ پیداوار میں بہتری، آپریشنل افادیت اور اخراجات پر قابو پانے کے اقدامات کو جاری رکھتے ہوئے صارفین کی طلب کو پورا کرنے کے لیے پرعزم ہے۔ تربیت یافتہ اور تجربہ کار ٹیکنیشن اور انجینئرز نے تکنیکی معاملات کو بخوبی انجام دیا۔ حفاظتی مینٹیننس کا ایک نظام موجود تھا اور تمام پیداواری عمل کی موثر طریقے سے نگرانی اور درست اقدامات کیے گئے جبکہ حفاظتی اقدامات کی منصوبہ بندی اور ان پر عمل درآمد کو یقینی بنایا۔

سیلز

30 جون 2023 کو ختم شدہ سال کے لیے کمپنی کی اصل سیلز آمدنی بڑھ کر 5,795 ملین روپے ہو گئی جو پچھلے سال کے مقابلے میں 647 ملین روپے زائد ہے۔ سیلز میں اضافہ بنیادی طور پر بینک نوٹ پیپر کی وجہ سے ہوا۔ کمپنی نے اسی مدت کے دوران 4,176 ٹن کے مقابلے میں 4,048 ٹن فروخت کا حجم حاصل کیا جس میں بینک نوٹ پیپر، پاسپورٹ پیپر، بیلٹ پیپر اور بورڈ اور ڈگری پیپر شامل ہیں۔

زیر جائزہ سال کے دوران بینک نوٹس کی فروخت میں 8.5 فیصد اضافہ ہوا۔ سیلز میں اضافہ بنیادی طور پر PSPC کی جانب سے قیمتوں میں اضافے کی اجازت سے حاصل ہوا۔ خام مال کی بڑھتی ہوئی لاگت اور پیداواری اور ہیڈز کی وجہ سے منافع پر دباؤ رہا۔ اخراجات میں کمی اور قابو پانے کے اقدامات کے امتزاج نے کاروباری منافع کو منظم کرنے میں مدد کی۔

دیگر سیکورٹی پیپر میں خصوصی طور پر بیلٹ پیپر، پاسپورٹ پیپر اور تعلیمی ڈگری اور سرٹیفکیٹ پیپر شامل ہیں۔ ہمارے صارفین کی جانب سے طلب میں اضافے کے سبب ان پروڈکٹس کی سیلز میں 33.46 فیصد اضافہ ہوا۔

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 کے آپریشنز اسٹریٹجک نوعیت کے ہیں کیونکہ اس کی پروڈکٹس سب سے زیادہ قومی اہمیت کی حامل ہیں۔ کمپنی نے حفاظت، صحت اور ماحولیات سے متعلق اپنے بھرپور عزم کو جاری رکھا ہوا ہے۔ پائیدار کاروباری ترقی کے لیے، کمپنی نے عالمی سطح پر تسلیم شدہ انٹیکریڈ مینجمنٹ سسٹم قائم کیا ہے جس میں آکیو پیشنل ہیلتھ اینڈ سیفٹی (OH&S) مینجمنٹ سسٹم

اضافے کی بدولت تاریخی مہنگائی کا سامنا کر رہی ہے۔ روپے کی شدید ناقدری کے نتیجے میں اشیاء کی قیمتیں آسمان کو چھونے کے ساتھ ہوشربا مہنگائی دیکھی جا رہی ہے۔ مشکل ترین کاروباری صورتحال کے باوجود، کمپنی نے اپنی کارکردگی میں استحکام کے ساتھ 5,795 ملین روپے کی ریکارڈ سیلز آمدنی حاصل کی اور زیر جائزہ سال کے لیے 967 ملین روپے کا بعد از ٹیکس منافع کمانے میں کامیابی حاصل کی۔

سیکورٹی پیپر زلمینڈ (SPL) اور پاکستان سیکورٹی پرنٹنگ کارپوریشن (PSPC) دونوں ہی بینک دولت پاکستان کے لیے کرنسی نوٹس کی فراہمی میں اہم کردار رکھتے ہیں۔ یہ بات خوش آئند ہے کہ زیر جائزہ سال کے دوران کمپنی اپنے بڑے کسٹمر PSPC کے ساتھ قیمت فروخت کے تعین کے لیے نئے پرائسنگ میکنزم کو حتمی شکل دینے میں کامیاب رہی۔ مذکورہ میکنزم ایک سال قبل ایک شفاف اور درست انداز میں اس مقصد کے لیے شروع کیا گیا تھا کہ ہم ایک ایسا فارمولہ بنائیں جو PSPC اور SPL دونوں کے لیے قابل قبول ہونے کے ساتھ مارکیٹ اور انڈسٹری کے محرکات کے عین مطابق ہو۔

اسی مقصد کے پیش نظر، SPL اور PSPC دونوں ہی نے بھرپور محنت سے قیمتوں کے طریقہ کار کو اس طرح وضع کیا تاکہ عمومی طور پر قبول کی جانے والی اکاؤنٹنگ پریکٹسز کے مطابق بینک نوٹس اور پرائز بانڈ پیپر پروڈکٹس کے لیے PSPC سے وصولی ہو۔ اسی طریقہ کار کے تحت اے ایف فرگومز اینڈ کو کی جانب سے SPL پروڈکٹس کی قیمت کی تصدیق کے لیے متعین اور قابل قبول لائحہ عمل کے مطابق بینک نوٹس کا غنڈ کی قیمت کا جائزہ لیا گیا۔ ہم یہ اطلاع دیتے ہوئے خوش ہیں کہ قیمتوں کو حتمی شکل دینے کے بعد، بینک نوٹس کے پیپر پر ہمارے مجموعی منافع میں واضح اضافہ دیکھا گیا، یہ منافع SPL کی مجموعی سیلز میں 80 فیصد سے زائد ہوتا ہے اور زیر جائزہ سال کے دوران دیگر سیکورٹی پیپر کی مجموعی سیلز کے منافع سے زیادہ ہے۔ مزید برآں، کمپنی کا بینک نوٹ پیپر پروڈکٹس کا مجموعی منافع بھی پاکستان میں پیپر اور بورڈ میکٹریکٹریوں کے حاصل شدہ مجموعی منافع سے کہیں زیادہ ہے جس کی شرح 12 سے 18 فیصد بنتی ہے۔

زیر جائزہ سال کے دوران، بینک نوٹس اور دیگر سیکورٹی پیپر پروڈکٹس کی تیاری کے اخراجات میں ہوشربا اضافہ دیکھا گیا کیونکہ غیر معمولی مہنگائی اور پاکستانی روپے کی ناقدری کے نتیجے میں اہم خام مال اور یوٹیلٹی کی قیمتیں بھی بہت زیادہ بڑھ گئیں۔ ہمارے خام مال (ان پٹس) کی زیادہ تر مقدار خصوصی نوعیت کی ہونے کے سبب، بڑھتے ہوئے اخراجات پر قابو پانے کے لیے متبادل پر جانے کی ہماری صلاحیت بہت تھوڑی ہے۔

بورڈ کی جانب سے برٹس کی کارکردگی کا باریک بینی سے جائزہ لیا جاتا ہے تاکہ پیداوار میں مسلسل اضافے کے ساتھ اخراجات اور امور پرکڑی نگرانی سے کمپنی کی مستحکم ترقی کو یقینی بنایا جائے۔ انتظامیہ کی توجہ اس بات پر مرکوز رہی کہ داخلی صلاحیتوں اور ہماری پروڈکٹس کے معیار میں اضافہ ہو اور کاروبار انجام دینے کے اخراجات میں کمی کی یقینی بنایا جائے۔ کام کی موجودہ صورتحال، پروڈکشن پروسیس، حفاظتی اور احتیاطی مینٹنس کے مسلسل جائزے کا نظام فعال رہا تاکہ پیداواری صلاحیت میں اضافہ اور استحکام حاصل رہے۔ SPL سیکورٹی پیپر تیار کرنے والا ایک مایہ ناز ادارہ ہے جو اپنی شاندار صلاحیتوں کی بدولت مختلف قسم کی سیکورٹی پیپر پروڈکٹس تیار کرنے میں مصروف عمل رہتا ہے۔ SPL اپنی جدت پسندانہ سوچ کے پیش نظر، اپنے حریفوں پر سبقت رکھتی ہے۔ ہم نے اپنی پیلنس شیٹ کو مضبوط رکھا ہے تاکہ کمپنی کو اپنے شیئر ہولڈرز کے لیے بہتر منافع دینے کی آسانی رہے۔ کمپنی نے دوران سال اپنے سرمائے پر 12.77 فیصد منافع کمایا جو سرمایہ کاریوں سے بہتر منافع کمانے کی ہماری صلاحیت کو ظاہر کرتا ہے۔

کمپنی اپنے صارفین کی طلب کو پورا کرنے کے لیے بدلتے ہوئے کاروباری ماحول میں اپنی مستحکم رفتار برقرار رکھنے کی کوشش کرتی ہے، تاکہ ترقی اور استحکام کو یقینی بنایا جائے۔ کمپنی اپنی مصنوعات کی پیش کش کو بڑھانے اور سیکورٹی پیپر پروڈکٹس کی تیاری میں قائدانہ حیثیت حاصل کرنے کے لیے پرعزم ہے۔ زیر جائزہ سال کے دوران کمپنی الیکشن کمیشن آف پاکستان سے محفوظ واٹر مارک کے حامل بیلت پیپر فراہم کرنے کا آرڈر حاصل کرنے میں کامیاب رہی ہے۔ یہ حقیقتاً پروڈکٹس اور کسٹمز بڑھانے کی ہماری کوششوں میں ایک اہم پیش رفت ہے۔

بورڈ آف ڈائریکٹرز، بورڈ آڈٹ کمیٹی اور چیف ایگزیکٹو آفیسر کی قیادت میں سینئر مینجمنٹ ٹیم پر مشتمل ایگزیکٹو کمیٹی کمپنی کے آپریشنز کی نگرانی اور بڑے خطرات کے کسی بھی ممکنہ منفی اثرات کو کم کرنے کے لیے فعال حکمت عملی تیار کرنے کی ذمہ دار ہے۔

انتظامی کارکردگی

ایک مشکل ترین کاروباری ماحول میں تباہ کن سیلاب کی وجہ سے سپلائی چین میں آنے والے خلل نے معیشت پر شدید منفی اثر ڈالا نتیجے میں مختلف اشیاء اور فیول سے متعلق پروڈکٹس کی قیمتیں بڑھ گئیں۔ اس مسئلے پر قابو پانے کے لیے، اخراجات پر موثر کنٹرول اور موثر آپریشنز کو برقرار رکھنے کے لیے منافع بخش اور ترقی کے حامل متعدد اقدامات اٹھائے گئے۔ کمپنی زیر جائزہ سال کے دوران 4043 ٹن (مالیاتی سال 2021-22: 4,187 ٹن) اور فروخت کی مقدار 4,048 ٹن (مالیاتی سال 2021-22: 4,176 ٹن) حاصل کرنے میں کامیاب رہی۔ مقدار کے اعتبار سے، کمپنی کی نیٹ سیلز بڑھ کر 5.795 بلین روپے ہو گئی جو گزشتہ سال کی اسی مدت کے دوران 5.147 بلین روپے تھی۔ سیلز کی آمدنی میں اضافہ ہمارے اہم کسٹمر پاکستان سیکورٹی پرنٹنگ کارپوریشن (PSPC) کو بینک نوٹ پیپر کی فروخت پر موصول ہونے والی مناسب قیمت کے سبب ہے۔

ڈائریکٹرز رپورٹ

محترم شیئر ہولڈرز،
سیکیورٹی پیپر لمیٹڈ ('کمپنی یا 'SPL') کے ڈائریکٹرز 30 جون 2023 کو ختم ہونے والے سال کے لیے کمپنی کی سالانہ رپورٹ مع آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے نہایت خوشی محسوس کرتے ہیں۔

کاروباری نتائج

30 جون 2023 کو ختم ہونے والے سال کے لیے کمپنی کے کاروباری نتائج کا خلاصہ درج ذیل ہے:

2022	2023	
(Rupees in '000)		
5,147,258	5,794,593	فروخت
1,649,699	1,518,289	مجموعی منافع
1,397,743	1,543,686	منافع قبل از محصولات
		محصولات کی ادائیگی
480,745	600,471	جاری۔ موجودہ سال کے لئے
(413)	(3,257)	جاری۔ گزشتہ سال کے لئے
480,332	597,074	تاخیر شدہ / موخر شدہ
(31,578)	(20,908)	منافع بعد از محصولات
948,989	967,380	دیگر جامع منافع
1,218	(20,421)	خالص منافع
950,207	946,959	فی حصص منافع

بعد از محصولات فی حصص منافع 16.33 روپے ہے (2022 میں 16.02 روپے) تخصیصات

ڈیویڈنڈ

کمپنی کے بورڈ آف ڈائریکٹرز نے 26 اکتوبر 2023 کو منعقد ہونے والے سالانہ اجلاس عام میں ممبران سے منظوری کے لیے سال 2022-23 کے لیے درج ذیل تخصیصات کی سفارش کی ہے:

11 روپے فی حصص یعنی 110 فیصد (2021-22: مجموعی نقد منافع منقسمہ فی شیئر 10 روپے یعنی 100 فیصد)

مالیاتی ذخائر کی منتقلی

295.144 ملین روپے (2021-22: 356.430 ملین روپے)
یہ تخصیصات کمپنیز ایکٹ 2017 کے ترمیم شدہ چوتھے شیڈول کی تعمیل میں، آئندہ مالیاتی گوشواروں میں پیش کی جائیں گی۔

کاروباری جائزہ

مجموعی طور پر مالیاتی سال 2022-23 پاکستانی معیشت کے لیے ایک مشکل ترین سال رہا۔ مینوفیکچرنگ کا شعبہ شدید دباؤ کا شکار رہا کیونکہ غیر معمولی بارشوں اور سیلاب کے نتیجے میں ملک میں ہونے والی ناقابل بیان تباہی اور روس-یوکرین جنگ کے منفی اثرات نے شدید متاثر کیا۔ ملکی معیشت اس وقت سپلائی میں مستقل خلل، اور اجناس کی قیمتوں میں

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.



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 37th (seven times in a row). The Award recognizes the best managed companies in Pakistan that follow guidelines and principles of the latest management techniques.



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.



CORPORATE AWARDS HISTORY

BEST CORPORATE REPORT AWARD

SPL secured 2nd position in the Best Corporate Report Award for the year 2021 by country's two leading professional accounting organizations 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.

JCR-VIS
Credit Rating

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 issued by SGS United Kingdom Limited



CORPORATE AWARDS HISTORY

ENVIRONMENT EXCELLENCE AWARD

The National Forum for Environment & Health - NFEH conferred the 18th Annual Environment 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, and 17th Annual Environment Excellence Awards in 2014, 2018, 2019 and 2020 respectively



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.



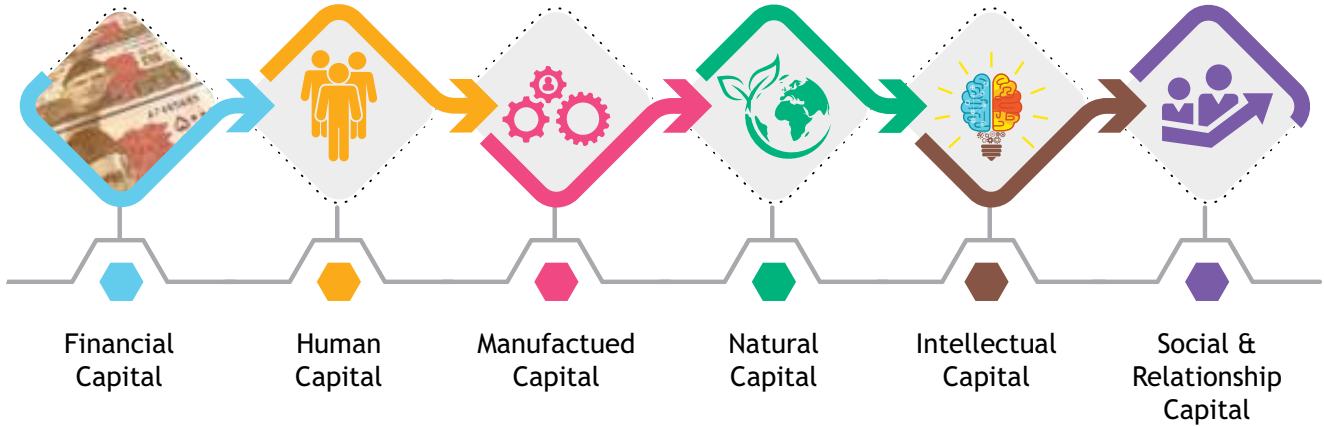
FIRE AND SAFETY AWARD

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).

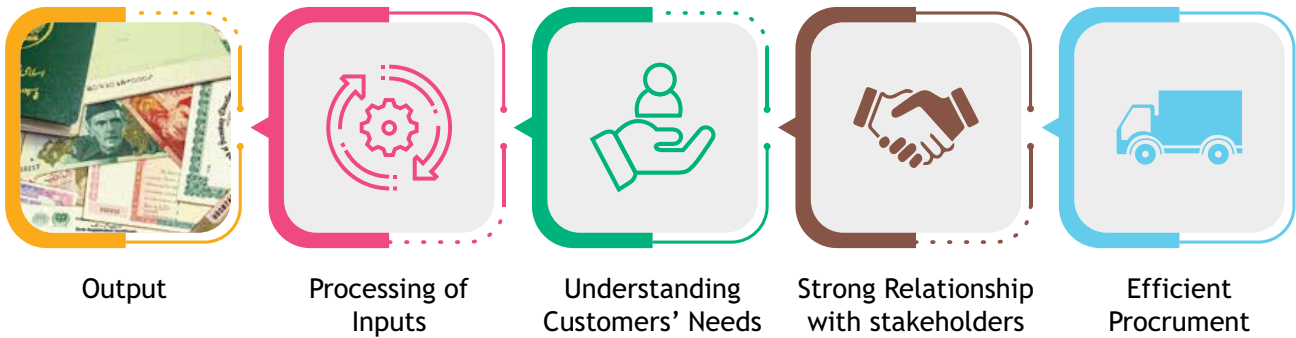


OUR BUSINESS MODEL

INPUTS



KEY PROCESS



VALUE DISTRIBUTION



SWOT ANALYSIS

- 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.

STRENGTHS

- 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.

OPPORTUNITIES

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.

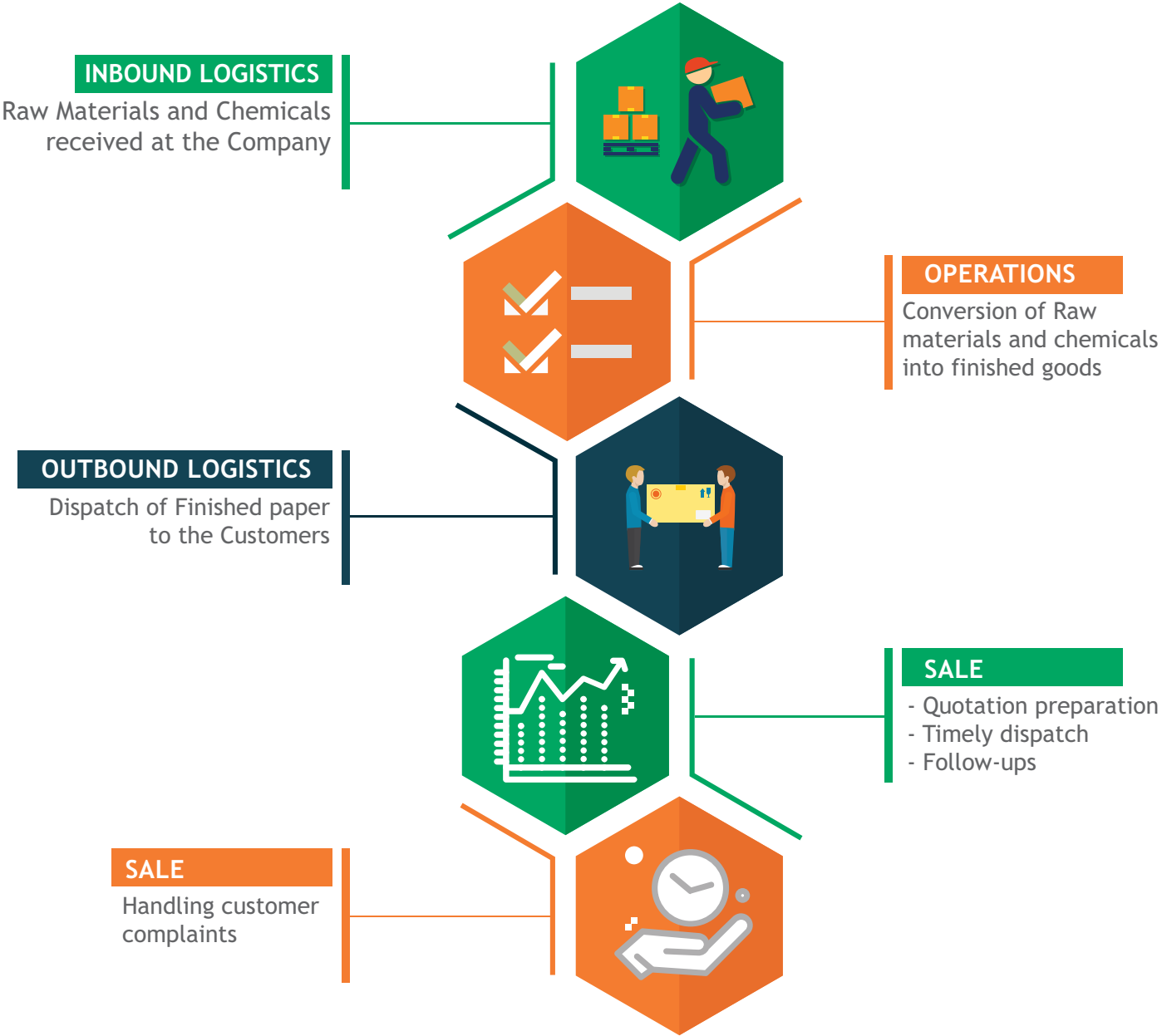


SIGNIFICANT FACTORS AFFECTING EXTERNAL ENVIRONMENT AND THE COMPANY'S RESPONSE

External Factors	Description	Company's Response
<p>POLITICAL</p> 	<p>Abrupt and frequent changes in Government's policies impact the Company's business & accordingly impact the confidence of the stakeholders.</p> <p>Globally, Russia - Ukraine ongoing conflict 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> 	<ul style="list-style-type: none"> ▪ Economic conditions have a direct impact on the Company's performance. ▪ Devaluation of currency, increasing interest rates and higher inflation leads to higher input costs and reduced margins. ▪ Price hike in major raw material and other input costs. 	<ul style="list-style-type: none"> ▪ 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. ▪ The Company actively monitors the economic factors and take steps to minimize its negative impact, include: <ul style="list-style-type: none"> ▪ Effective inventory management by meticulously ▪ reviewing inventory-holding periods. ▪ Efficient raw material procurement. ▪ Efficient management of Investment portfolio. ▪ Consistent market analysis by the Company and proactive material requirement planning to mitigate any unfavorable outcome on the Company's business.
<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 & Punjab and etc.</p>

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 & 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 & 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 & 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>

VALUE CHAIN ANALYSIS



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 RIVALRY LOW

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





Governance

- 60 Review Report to the Members on the Statement of Compliance Contained in Listed Companies (Code of Corporate Governance) Regulations, 2019
- 61 Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019
- 64 Report of the Audit Committee
- 67 Code of Ethics and Business Practices
- 68 Corporate Governance
- 85 Our People



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 37131900, 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 2023 in accordance with the requirements of regulation 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 2023.

Further, we highlight below instance of non-compliance with the requirement of the Regulations as reflected in the note/paragraph reference where it is stated in the Statement of Compliance:

Note/paragraph:

S. No.	Regulation #	Description
1	Regulation 6(1)	Refer to note/paragraph 2 of the statement of compliance where the Board in its 330th Board meeting held on June 22, 2023, was informed that one independent director has been reclassified as a non-executive director. Accordingly, as of 30th June 2023, the Board consisted of Mr. Munir Ahmed and Mr. Muhammad Sualeh Ahmad Faruqi as independent directors.

Date: 3 October 2023

Karachi

UDIN: CR202310106dgYfrKueh

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

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

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

Name of Company: SECURITY PAPERS LIMITED

Year Ended: JUNE 30, 2023

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

1. The total number of directors are nine 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 Faruqui
	Mrs. Uzma Aijaz
	Mr. Munir Ahmed
ii) Non-Executive Directors	Mr. Mohammad Aftab Manzoor
	Mr. Jamal Nasim
	Mr. Ahmad Hatami Yazd
	Ms. Figen Caliskan
	Hafiz Mohammad Yousaf
	Mr. Shafqaat Ahmed
iii) Executive Director	Mr. Imran Qureshi

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 Board in its 330th Board meeting held on June 22, 2023, was informed that one independent director has been reclassified as a non-executive director. Accordingly, as of 30th June 2023, the Board consisted of Mr. Munir Ahmed and Mr. Muhammad Sualeh Ahmad Faruqui as independent directors. The term of the Board is due to expire in September 2023 and the Company expects that the requisite number of independent directors would be elected in the General Meeting of the Company.

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

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.
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 the 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 programs offered by institutions that meet the criteria and approved by the Commission. Seven Directors have already completed the Directors' Training Program. Whereas for remaining three directors training was planned during the financial year 2022-23, 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:

Mr. Munir Ahmed	-	Chairman
Mr. Jamal Nasim	-	Member
Mr. Ahmad Hatami Yazd	-	Member
Mrs. Uzma Aijaz	-	Member
Hafiz Mohammad Yousaf	-	Member
Mr. Shafqaat Ahmed	-	Member

b) HR and Remuneration Committee:

Mr. Muhammad Sualeh Ahmad Faruqi	-	Chairman
Mr. Mohammad Aftab Manzoor	-	Member
Mr. Jamal Nasim	-	Member
Mrs. Uzma Aijaz	-	Member
Mr. Munir Ahmed	-	Member

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

c) Board Investment and Risk Management Committee:

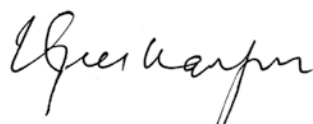
Mr. Muhammad Sualeh Ahmad Faruqi	-	Chairman
Ms. Figen Caliskan	-	Member
Hafiz Mohammad Yousaf	-	Member
Mr. Munir Ahmed	-	Member

d) Nomination Committee (No separate committee formed, as its issues are deliberated in Board meetings)

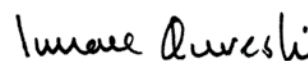
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.
14. The frequency of meetings of the committee were as per following:

a) Audit Committee	05 Meetings were held during FY 2022-23
b) HR and Remuneration Committee	05 Meetings were held during FY 2022-23
c) Board Investment and Risk Management Committee	04 Meetings were held during FY 2022-23

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 with.



MOHAMMAD AFTAB MANZOOR
Chairman



IMRAN QURESHI
Chief Executive Officer

Karachi
Dated: September 13, 2023

REPORT OF THE BOARD AUDIT COMMITTEE

Composition of the Audit Committee

Mr. Munir Ahmed	Chairman
Mr. Jamal Nasim	Member
Mrs. Uzma Aijaz	Member
Mr. Ahmad Hatami Yazd	Member
Hafiz Mohammad Yousaf	Member
Mr. Shafqaat Ahmed	Member

The Board Audit Committee, during the year, comprised of six non-executive directors of which two* were independent. The Chair of the Committee is also an independent Director. More than one member of the Board Audit Committee qualifies as financially literate. The Company secretary is the secretary of the Audit Committee. The recommendations of the Audit Committee are submitted to the Board for its information and approval.

Chief Executive Officer and Chief Financial Officer attends Audit Committee meetings on invitation; internal auditors are present in all the Committee meetings whereas External Auditors attend the meetings on requirement basis.

Financial Statements

The Committee has concluded its annual review of the Company's performance, financial position and cash flows for the financial year ended 2023, and reports that:

- The financial statements of SPL for the year ended June 30, 2023 have been prepared on a going concern basis under requirements of the Companies Act 2017, incorporating the requirements of the Code of Corporate Governance, International Financial Reporting Standards and other applicable regulations.
- These financial statements present a true and fair view of the state of affairs of the Company, results of operations, profits, cash flows and changes in equity of the Company and its subsidiaries for the year under review.
- Appropriate accounting policies have been consistently applied, which have been appropriately disclosed in the financial statements.
- The Chairman of the Board, Chief Executive Officer, one director and the Chief Financial Officer have endorsed the financial statements of the Company, while the Directors' Report is signed by Chairman and Chief Executive Officer. They acknowledge their responsibility for true and fair presentation of the Company's financial condition and results, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and systems of the Company.

REPORT OF THE BOARD AUDIT COMMITTEE

- 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. The financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017 and the external reporting is consistent with management processes and adequate for shareholder needs.
- All related party transactions have been reviewed by the Committee prior to approval by the Board.
- Statement of Compliance with the Code of Corporate Governance has also been reviewed and certified by the External Auditors of the Company.
- Understanding and compliance with the codes and policies of the Company has been affirmed by the members of the Board, the management and employees of the Company. Equitable treatment of shareholders has also been ensured.
- Trading and holding of Company's shares by Directors & Executives or their spouses and dependent children 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.
- All such holdings have been disclosed in the Pattern of Shareholding. The Annual Secretarial Compliance Certificates are being filed regularly within stipulated time.
- Closed periods were duly determined and announced by the Company, precluding the Directors, the Chief Executive and executives of the Company from dealing in Company shares, prior to each Board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision, which could materially affect the share market price of Company, along with maintenance of confidentiality of all business information.

Internal Audit

The Company's system of internal controls is sound in design and is continually evaluated for effectiveness and adequacy.

- The Audit Committee has ensured the achievement of operational, compliance, risk management, financial reporting and control objectives, safeguarding of the assets of the Company and shareholders' wealth, through assurances provided by internal audit function.
- The Internal Audit function has carried out its assignments in accordance with annual audit plan approved by the Audit Committee. The Committee has reviewed material Internal Audit findings, taken appropriate actions where necessary or brought the matters to the Board's attention where required.
- Audit Committee has provided proper arrangement for staff and management to report to Audit Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters. Adequate remedial and mitigating measures are applied, where necessary.
- The Head of Internal Audit has direct access to the Chairman of the Audit Committee and the Committee has ensured staffing of personnel with sufficient internal audit acumen and that the function has all necessary access to Management and the right to seek information and explanations.

- 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, 2023.
- The Audit Committee has discussed the audit process and the observations, if any, of the auditors regarding the preparation of the financial statements including compliance with the applicable regulations or any other issues.
- 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 Program 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.
- The Audit Committee has recommended the appointment of M/s. A.F. Ferguson. Chartered Accountants as external auditors of the Company for the year ending June 30, 2024.

The Audit Committee

- The Audit Committee believes that it has carried out responsibilities to the full, in accordance with terms of reference approved by the Board, which included principally the items mentioned above and the actions taken by the Audit Committee in respect of each of these responsibilities.



Munir Ahmed

Chairman Audit Committee

Dated: 12-09-2023

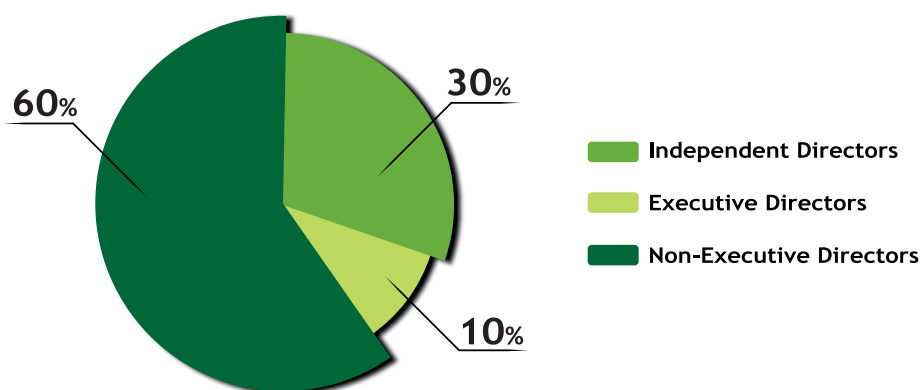
CODE OF ETHICS AND BUSINESS PRACTICES

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

Corporate governance is the system by which companies are directed and controlled. The Board is responsible for the governance of the Company. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. Corporate Governance encompasses the framework of accountability, transparency, and ethical conduct that guides Company's decision-making and relationships with its stakeholders. The Board recognizes the critical role that effective governance plays in ensuring the long-term success of the Company and strive to maintain the highest standards of governance in all our operations. Good corporate governance ensures that the Board meets regularly, retain control over the business and have clearly defined responsibilities. The Board also recognizes the increasing importance of Environmental, Social and Governance (ESG) issues.

Composition of the Board of Directors



Board composition refers to the people in the Company's Board of directors and what they bring to the board table, such as their management background and skills. Board composition varies widely depending upon an organization's goals and industry. The Board has a balanced team complementary skill sets and a culture that allows them to work together to make the most effective decisions for the Company.

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 Directors	1	-	10%
(iii)	Non-Executive Directors	6	-	60%

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 22.

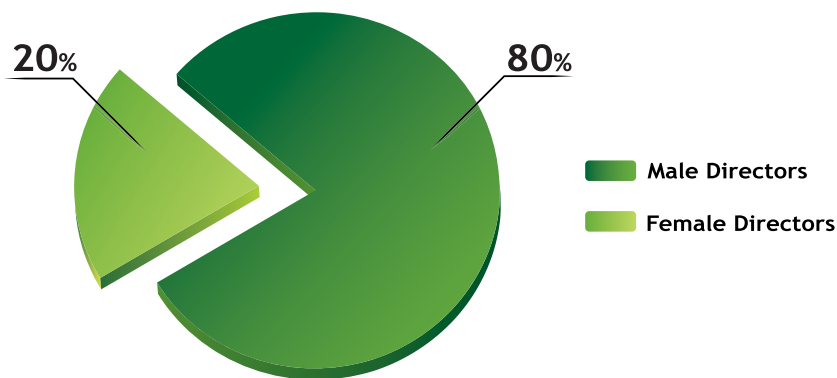
Independent Directors

The independent directors bring a unique, unbiased perspective. The term "independent director" is commonly used to denote a director who is not connected or does not any other relationship with the Company. The independent directors can reasonably be perceived to exercise independent business judgment without being subservient to any form of conflict of interest.

CORPORATE GOVERNANCE

Female Directors

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.

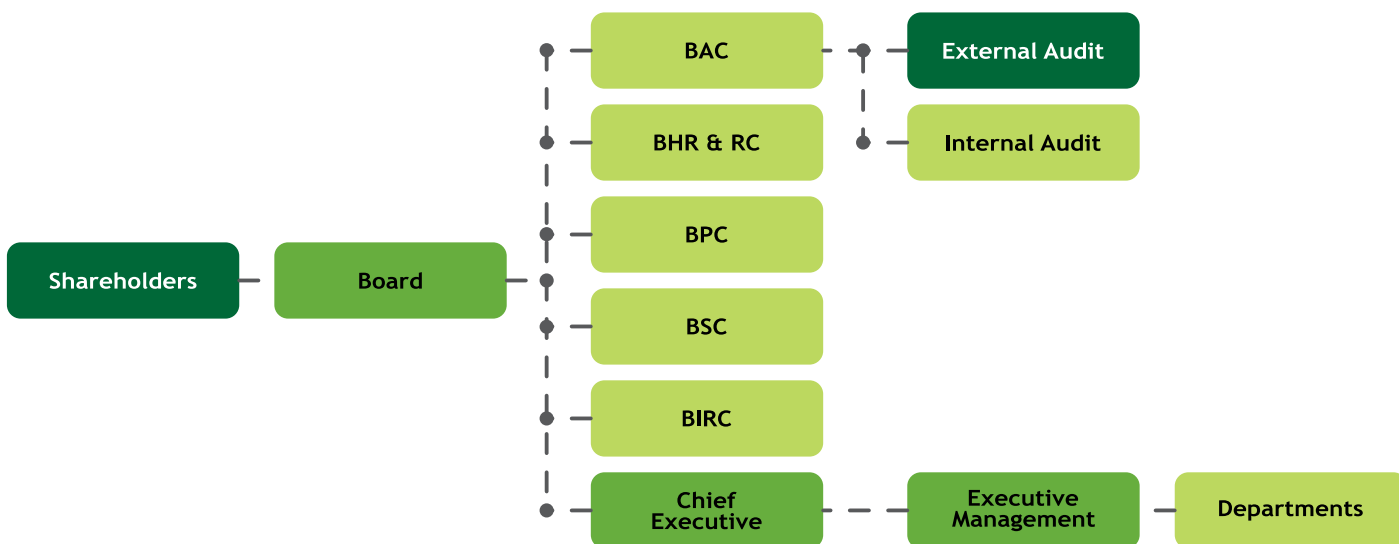


Non-Executive Directors

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 Audit Committee and Board Human Resource and Remuneration Committee are as follows:

Board Audit Committee (BAC)

The Audit Committee reports to the Board, the BAC meets at least once every quarter of the financial year to be held along with meeting of Board of Directors. 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 six members. The Chairman of the Audit Committee is an Independent Director. The Head of Corporate department acts as Secretary of the Committee.
- ◆ 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.

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:

- Determination of appropriate measures to safeguard the company's assets;
- Review of preliminary announcements of results prior to external communication and publication;
- Review of annual and interim financial statements of the company, prior to their approval by the Board, focusing on, -
 - major judgmental areas;
 - significant adjustments resulting from the audit;
 - going concern assumption;
 - any changes in accounting policies and practices;

CORPORATE GOVERNANCE

- (e) compliance with applicable accounting standards;
- (f) compliance with these Regulations and other statutory and regulatory requirements; and
- (g) all related party transactions;
- iv. 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 (in the absence of management, where necessary);
- v. Review of management letter issued by external auditors and management's response thereto;
- vi. Ensuring coordination between the internal and external auditors of the company;
- vii. Review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the company;
- viii. Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- ix. Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
- x. Review of the company's statement on internal control systems prior to endorsement by the Board and internal audit reports;
- xi. Instituting special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the chief executive officer and to consider remittance of any matter to the external auditors or to any other external body;
- xii. Determination of compliance with relevant statutory requirements;
- xiii. Monitoring compliance with these Regulations and identification of significant violations thereof;
- xiv. Review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
- xv. Recommend to the Board the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements, measures for redressal and rectification of non-compliances with the Regulations. The Board shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof;
- xvi. Consideration of any other issue or matter as may be assigned by the Board.
- xvii. Review the whistle blowing status bi-annually.

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

CORPORATE GOVERNANCE

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

Responsibilities

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

- i. Recommending human resource management policies to the Board and providing guidance to the management in establishing policies relevant to employees' remuneration, bonus and/or other benefits.
- ii. Overseeing management compliance with laws and regulations with respect to compensation and human resource matters.
- iii. Consideration and approval of hiring on recommendation of CEO for Ex-Com positions reporting directly to the CEO.
- iv. Once in three years, the Committee will assess comparative market remuneration by engaging well reputed human resource and remuneration consultant.
- v. The Committee shall in consultation with the CEO, once a year review the Company's management succession planning of Ex-Com positions and any development plan for the potential successors.
- vi. Recommending to the Board the selection, evaluation, development, compensation of CEO, Chief Financial Officer, Company Secretary, and head of Internal Audit.
- vii. Recommendation to the Board for consideration and approval a policy framework for determining remuneration of Directors.
- viii. Undertaking, annually, a formal process of evaluation of performance of the Board as a whole and its committees either directly or by engaging external independent consultant.
- ix. The BHR&RC will consider appeals by any officer reporting directly to the CEO and seek his/her assistance for resolving relevant matters.
- x. The CEO, if member of HR&RC shall not participate in the proceedings of the Committee on matters that directly relate to his/her performance and compensation.

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)	10
Board Audit Committee (BAC)	5
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)	3
Board Special Committee for Appointment of Chief Executive Officer	3

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	Special
1	Mr. Mohammad Aftab Manzoor	10	-	5	2	4	3	2
2	Mr. Muhammad Sualeh Ahmad Faruqui	10	-	-	-	4	3	-
3	Mr. Jamal Nasim	10	5	5	2	-	1	3
4	Mr. Ahmad Hatami Yazd	01	1	-	1	-	-	-
5	Ms. Figen Caliskan	10	-	-	-	4	3	-
6	Mrs. Uzma Aijaz	09	5	5	-	-	-	-
7	Hafiz Mohammad Yousaf	09	4	1	-	4	3	2
8	Mr. Shafqaat Ahmed	10	5	1	2	4	3	3
9	Mr. Munir Ahmed	10	-	5	-	4	-	-
10	Mr. Imran Qureshi	08	-	5	-	4	-	-
11	Dr. Abolghassem Jamshidi	09	4	-	1	-	-	-
12	Dr. Mohammad Ashraf Butt	02	-	-	-	-	-	-

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 2022-23, 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 28 of the Annual Report.

Matters Reserved for Board

In accordance with the requirements of the Companies Act 2017, Listed Companies (Code of Corporate Governance) Regulations, 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.

- ◆ 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

CORPORATE GOVERNANCE

- ◆ 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 to assist new directors contribute fully, and as early in their tenure as possible, to the governing work of the Board. An effective orientation training helps 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.

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, 2023 Directors had acquired the prescribed certification through Directors' Training Program offered by institutions that meet the criteria specified by the Commission. 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 Company has a policy for Directors Remuneration which provides guidelines for remuneration of Board members. The policy is intended to provide market competitive remuneration to the Board members. The following are the objectives of the directors' remuneration policy:

CORPORATE GOVERNANCE

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.

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 Security Papers Limited.

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.

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 60 - 66.

Diversity

The Company has a workforce inclusive of different backgrounds to foster a sense of belonging and everyone feels like they are part of the team. The Company aims at involving people from a range of different social backgrounds and of different genders.

The company believes in 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.

CORPORATE GOVERNANCE

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

The Company has an Investor Grievance Policy to provide guidelines for handling the grievances of investors and shareholders. The aggrieved party 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 also engaged the services of an independent Share Registrar. The Company has an official email address (comsec@security-papers.com) for general correspondence.

Policy for Record and Archive Management

The Company's Archive Records Management System provides a comprehensive record keeping management system. Most records management responsibilities are concerned with how records were created and distributed in the past. It provides guidance to all our employees on the creation and use of Company records, and it establishes standards for classifying, managing, and storing office records, among other objects

Record management system provides various advantages, including increased efficiency, improved traceability, and regulatory compliance. The objective of the record management system is to ensure that employees have complete access to correct information quickly and cost-effectively. The Company ensures 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

CORPORATE GOVERNANCE

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 fulfillment of their right to work with dignity. The Policy is in compliance with "The Protection against Harassment of Women in the Workplace Act, 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 Company has a Code of conduct for Directors and its employees. Employees are committed to strictly avoid all conflicts of interest whenever possible. A conflict of interest occurs when an employee's personal interests - family, friendships, financial, or social factors - could compromise his or her judgment, decisions, or actions in the workplace.

A director's conflict of interest refers to a situation in which a director's personal interests are at odds with the duties owed by the director to the Company. Any director who is in any way, directly or indirectly, interested in a proposed transaction or arrangement with a company, has a duty to declare the nature and extent of that interest to the other directors.

The Board has established a process to review at every Board meeting and, if appropriate, authorize any conflict of interest.

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

CORPORATE GOVERNANCE

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.

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 274).

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 for leading the Board and focusing it on strategic matters, overseeing the Company's business and setting high governance standards. He plays a pivotal role in fostering the effectiveness of the Board and individual Directors, both inside and outside the board room.

CORPORATE GOVERNANCE

The Chairman of the Board chairs all Board and general meetings of the Company. He sets the Company's values and standards and ensures that its obligations to its shareholders and others are understood and met. The Chairman ensures a conducive environment that encourages directors to carry out Board's business in line with legal and regulatory requirements.

The Chairperson ensures effective performance of the Board and sets high standards of governance. 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's (CEO) primary responsibilities include managing the overall operations and resources of the Company. CEO is responsible for expanding the company, driving profitability and managing the overall operations of the Company. The CEO is an Executive Director responsible for providing effective leadership to the management.

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, risk management, 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 26, 2022
Second Quarter	January 31, 2023
Third Quarter	April 27, 2023
Annual Accounts	September 13, 2023

Presence of the Chairman of the Audit Committee at AGM

The Chairman of the Board Audit Committee had ensured her presence at the Annual General Meeting of the Company held on October 26, 2022.

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.

During the year a series of awareness sessions such as Firefighting, Managing Safety at workplace, Healthcare Policy Awareness, 5S, Chemical spill, Materiality Assessment & Stakeholder Engagement, were conducted. Besides that, technical trainings on behavioral 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 relates to environmental management to help minimize how the operations of the Company negatively affect the environment; comply with applicable laws, regulations, and other environmentally oriented requirements. The Company has 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.

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

CORPORATE GOVERNANCE

of recycling up to one third of all our effluent water thereby improving sustainability of the Company.

Quality Management System (ISO 9001:2015)

The ISO 9000 family of quality management systems (QMS) helps to ensure that we 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.

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.

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.

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 and recognizing and rewarding those employees whose ideas got selected and implemented.

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 Business Continuity Plan consists of the critical information that the Company needs to continue operating during an unplanned event. The BCP states the essential functions of the business, identifies which systems and processes must be sustained, and details how to maintain them. The 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. Business Continuity is 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 the Company.



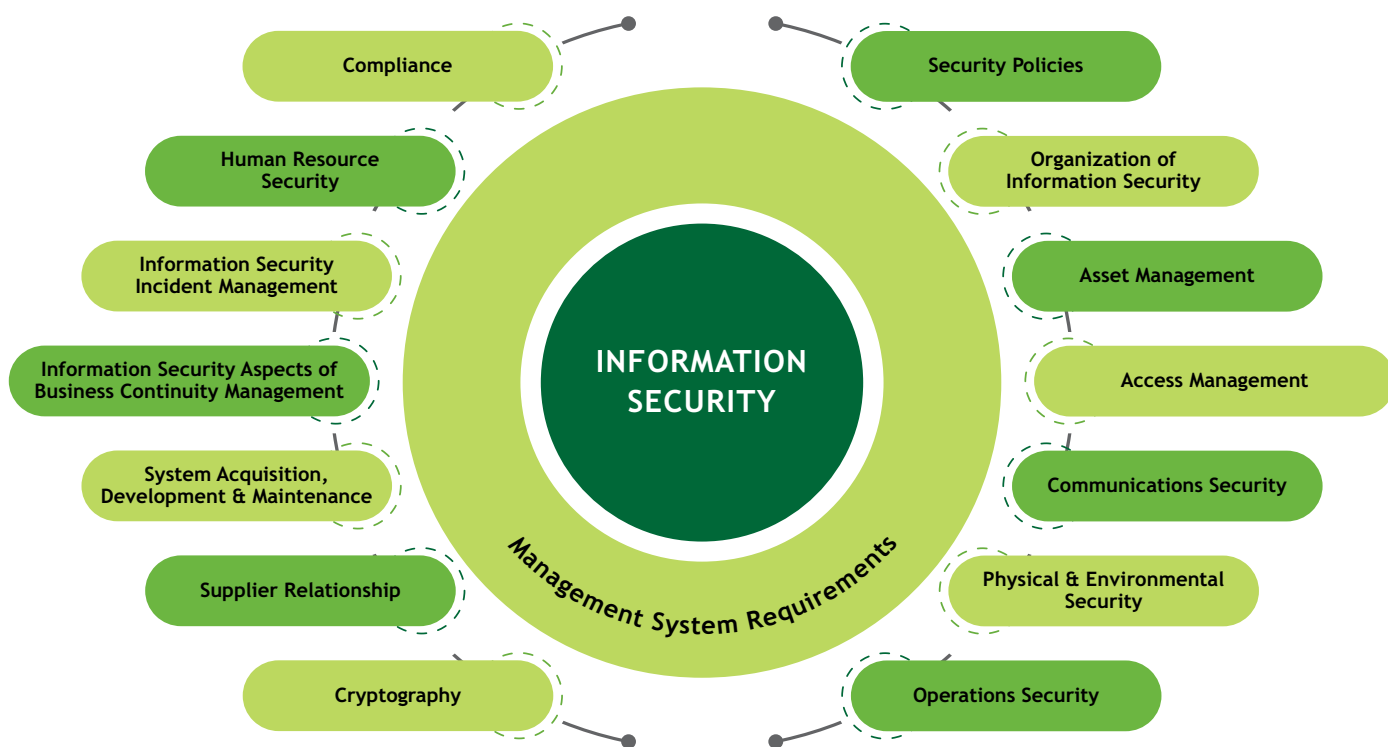
CORPORATE GOVERNANCE

ISO/IEC 27001 Information Security Management System (ISMS)

ISO/IEC 27001 Information Security Management System (ISMS) is for establishing, implementing, maintaining, and continually improving an information security management system. The Information Security Management System preserves the confidentiality, integrity, and availability of information by applying a risk management process and assures interested parties that adequate information security controls are in place to safeguard IT Assets.

Achievement of ISO/IEC 27001 Certification Milestone

SPL has ISO/IEC 27001:2013 Information Security Management System (ISMS) Certification Milestone for Information Technology services. IT department continuously strives to provide resilient IT services and data privacy that meet the needs and expectations of interested parties.



IT Governance Policies and Procedures

A systematic approach that includes People, Processes, and Technology has been adopted to implement an effective IT Governance system aligned with business strategy to deliver secure and resilient IT Services. We have implemented following information security policies and procedures to improve the information security posture of SPL:

- ◆ Information Security Policy
- ◆ Access Control Policy
- ◆ Program/Software Development
- ◆ Change Management Policy
- ◆ IT Asset Management Policy
- ◆ Management of Removable Media Policy
- ◆ Information Security Policy for Supplier Relationship
- ◆ Cryptography & Key Management Policy
- ◆ Mobile Device Policy



CORPORATE GOVERNANCE

- ◆ Secure System Engineering Principle
- ◆ Clear Desk Clear Screen Policy
- ◆ IT Purchasing and Lifecycle Management Policy
- ◆ Communication Security / Information Transfer Policy
- ◆ Email Policy
- ◆ Backup Policy

Achievements of the IT Department During the Year

During the year several Digital Transformation projects were initiated such as Robotic Process Automation (RPA), Cybersecurity, IT Governance, Deployment of new Software Applications, infrastructure upgradation, and improved IT Services delivery. During the year IT department implemented multiple automation projects to enhance business agility, systems integration, rapid information processing, and environment-friendly culture by reducing e-waste. Some of the major projects initiated during the year include the following:

- ◆ Implementation of an Online Budget Module for effective planning, utilization, and monitoring of (CAPEX/OPEX) Budget
- ◆ Import Module that covers the complete life cycle of imports from demand note, LC expense recording, LC register, landed cost, and payments
- ◆ Implementation of an Engineering Maintenance Module to manage Plant Maintenance activities which includes scheduling, monitoring, and execution of maintenance activities integrated with Engineering Work Orders and Procurement cycle for planning of Engineering Spares and other Inventory
- ◆ Online integrated Payment Module which includes multi-layered access control, availability of supporting documents for payment in digital form, Online approvals of payment by relevant signatories, auditing, and log management
- ◆ In-House Development and Implementation of Enterprise Content Management System for Document Archiving and Record Management. This is a step towards the Digital Transformation Journey of SPL to promote a paperless and environment-friendly culture in SPL

Disclosure on use of ERP

The Board is aware of the role of Information Technology in the digital transformation of the Company. SPL has an integrated in-house developed Enterprise Resource Planning (ERP) software applications on the latest Oracle Technology Platform to cater company's operational and reporting requirements. Further, IT has implemented several online projects to improve business agility, value creation, and resource optimization.

Integration of ERP Applications Development Methodology

Multiple technologies are being used to integrate front and back-end services into an integrated ERP and a cohesive Database Management System. This significantly helped us in making informed decision-making, eliminating data redundancy, and improved data insights and reporting.

Management Support in effective implementation of ERP

An active IT Steering Committee monitors the implementation of IT Projects and provides the required support and resources to achieve the business objectives.

User Trainings of ERP Applications

IT department provides mandatory training to all functional departments for smooth operations and data analytics by using in-house developed ERP Applications. During the year, IT department arranged regular training sessions to prepare tech-savvy end users. IT department also arranged on-demand training sessions for benefit of our employees

CORPORATE GOVERNANCE

Risk Management of ERP Project

An effective risk management process is in place to manage ERP and other Information Technology risks. A comprehensive risk assessment and treatment process aligned with compliance requirements of ISO/IEC 27001 ISMS is in place to ensure the Confidentiality, Integrity, and Availability risk of Information Systems.

System Security, Access Management and Segregation of Duties

An effective Operational Security Management System supported by Information Security and Access Management policies is in place to monitor the implementation of Information Security, Access Management, and segregation of duties. A least privileged policy has been implemented to limit user access to information systems. Periodic reviews are also arranged by the IT Department to cover any gaps and to meet compliance requirements.

Evaluation and Enforcement of Legal and Regulatory Implications of Cyber Risks

The Board places lot of emphasis on cybersecurity risk, IT remains updated on legal and regulatory requirements of cybersecurity risk and ensures to meet the system compliances in the best suitable manner. Information Security policies are aligned with best practices of cybersecurity risk management to cater any vulnerability/information security threats. We made sufficient investments in our IT Infrastructure to minimize the cybersecurity threat landscape.

IT Governance

Our IT governance system is not only to comply with legal and regulatory requirements but also to improve the strategic alignment between IT and business and to optimize resource utilization, and value creation by IT investments. SPL IT Governance system comprises of:

- ◆ Engagement of all stakeholders to set the priorities for technology investment aligned with Company's objectives
- ◆ Value creation by the realization of tangible & intangible benefits of IT services
- ◆ IT Governance for IT services design, transition, delivery, security, configuration, access management, and continuous improvement for all IT services and Projects
- ◆ Matured and uninterrupted IT services delivery by ensuring legal and regulatory compliances
- ◆ Maximize Return on investment (ROI) of IT Projects in terms of benefits i.e., cost reduction by process automation, phase out of legacy systems, risk mitigation, and training/awareness Programs

Cybersecurity

The Company has adopted a well-renowned Cybersecurity framework ISO/IEC 27001 Information Security Management System and has achieved the certification milestone by implementing best practices and controls in the Information Technology domain.

Board's Risk Oversight on Cybersecurity

An assessment of IT-related risk is carried out and updated in the Company's risk register. IT department ensures to keep risk register updated keeping in view growing concerns of cybersecurity. These risks are reviewed by the Enterprise Risk Management Committee and subsequently the Board's Risk Management Committee periodically.

Board Committee Oversight on IT Governance and Cybersecurity Matters

Regular updates on critical/significant issues (if any) related to IT Governance and Cybersecurity that may hinder the Confidentiality, Integrity, and Availability of Information Systems are presented to the respective Board Committee. The Board Audit Committee (BAC) oversees the conformance part of Enterprise IT Governance and Cybersecurity

CORPORATE GOVERNANCE

matters. Management keeps them abreast about the implementation status of IT projects undertaken to meet the company's business requirements.

Controls and Procedure about Early Warning System

IT Department has implemented a system for early detection to identify, detect, protect, respond, and recover from any potential threats. A real-time dashboard report and alert management system is in place to monitor and respond to any suspicious activity. An integrated SMS/Email alert system is in place for real-time incident management.

Independent Comprehensive Security Assessment

The Company believes in the implementation of best practices of Information Security keeping in view all regulatory and compliance requirements as per ISO/IEC 27001, COBIT, ITIL, and NIST. As we are an ISO/IEC 27001:2013 certified company, a yearly surveillance Audit by a third party is mandatory to meet the compliance of said certification. Further, in addition to annual IT Audits, third-party independent reviews of Information Systems and Vulnerability Assessments are also arranged by engaging top Audit Firms. Regular internal IT Audits are also arranged and reports are shared with the IT Steering Committee for management reviews and corrective actions.

Disaster Recovery Plan

A comprehensive Disaster Recovery Plan (DRP) is in place to handle any emergency/disruption, DRP is an integral part of the Business Continuity Plan. It consists of business impact analysis, preventive actions, reactive strategy, action plan, roles and responsibilities of different recovery teams, etc. An Incident Management plan is also in place to cater for any emergency. The IT department conducts periodic mock exercises to check the preparedness against any emergency.

Advancement in Digital Transformation to Improve Transparency, Reporting and Governance

The Company has formed a cross-functional Digital Transformation Committee. Digital Transformation encompasses every department of the Company to lead and implement the automation projects for innovation and efficiency across the organization. The core intent of this committee is to ensure the successful implementation of Digital Transformation Projects and embrace Robotic Process Automation (RPA) to develop automated Software Bots that will help to eliminate repetitive manual tasks. Multiple Digital Transformation Projects and Software Bots have been deployed in a live environment during the period to increase business agility, transparency, improved reporting, and overall IT Governance structure.

Training and Awareness

Training and Awareness programs are mandatory requirements to comply with the ISO/IEC 27001 Information Security Management System (ISMS) Certification. IT department arranges training programs regularly at all levels to create awareness about Information Systems Security, End-user roles/responsibilities, Information Security Policies, and their implementation.

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

- 88 Strategic Planning Process
- 90 Key Performance Indicators
- 91 Overall Strategic Objectives
- 92 Key Strategic Goals
- 93 Resource Allocation Plans

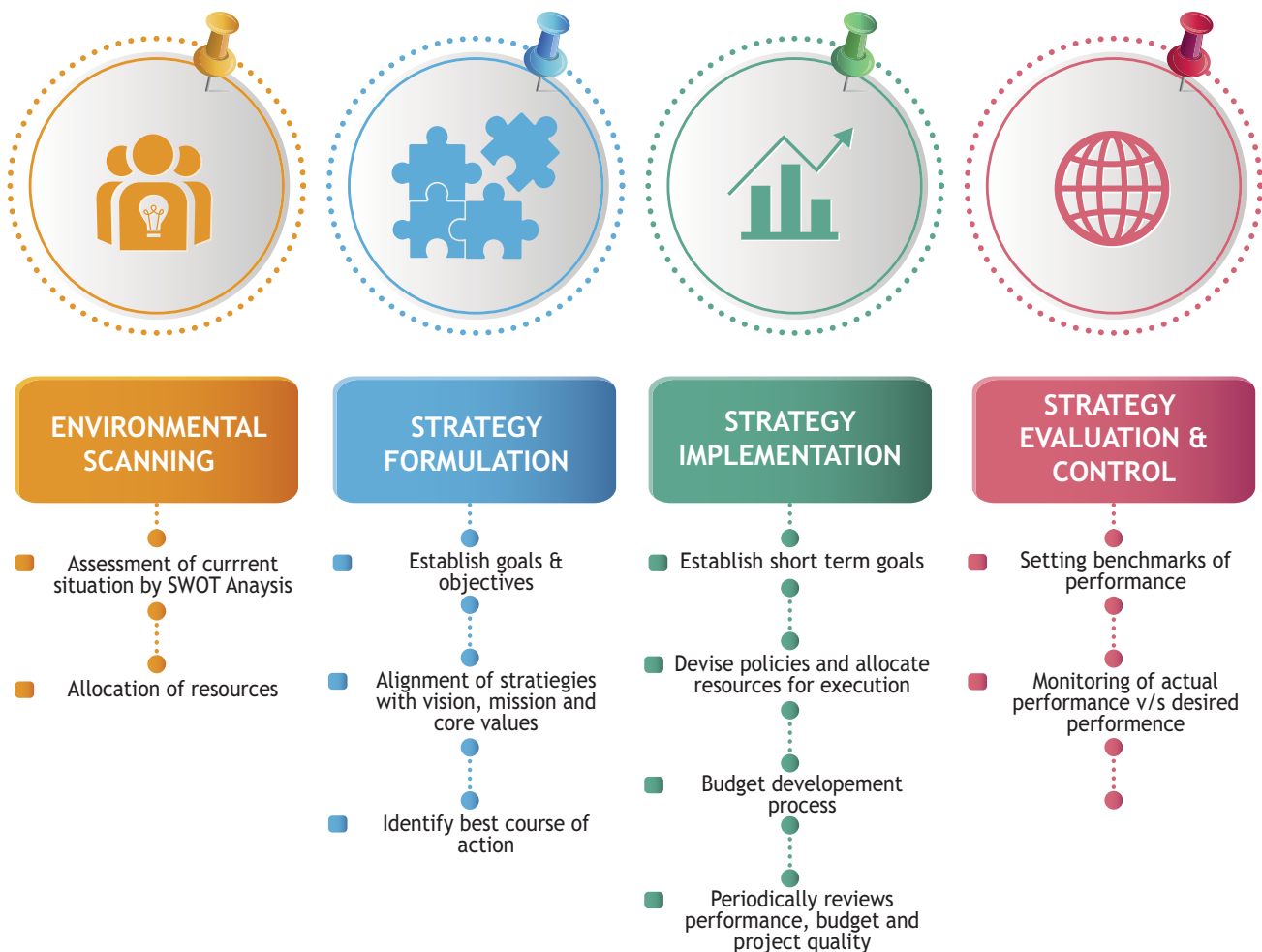
STRATEGIC PLANNING PROCESS

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



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 Waste 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





OPERATIONAL KPIs

- * Order fulfilment time
- * Reduction in production losses
- * Waste recycling
- * Control of cost of production



FINANCIAL KPIs

- * Fair & Speedy Financial Reporting
- * Increase Inventory Turnover
- * Operational cash flow management
- * Higher Gross / Net profit margin
- * Higher Return on investment of surplus funds of Company
- * Corporate Tax Management





SALES KPIs

- * Net sales value
- * Sales volume

HR & ADMINISTRATION

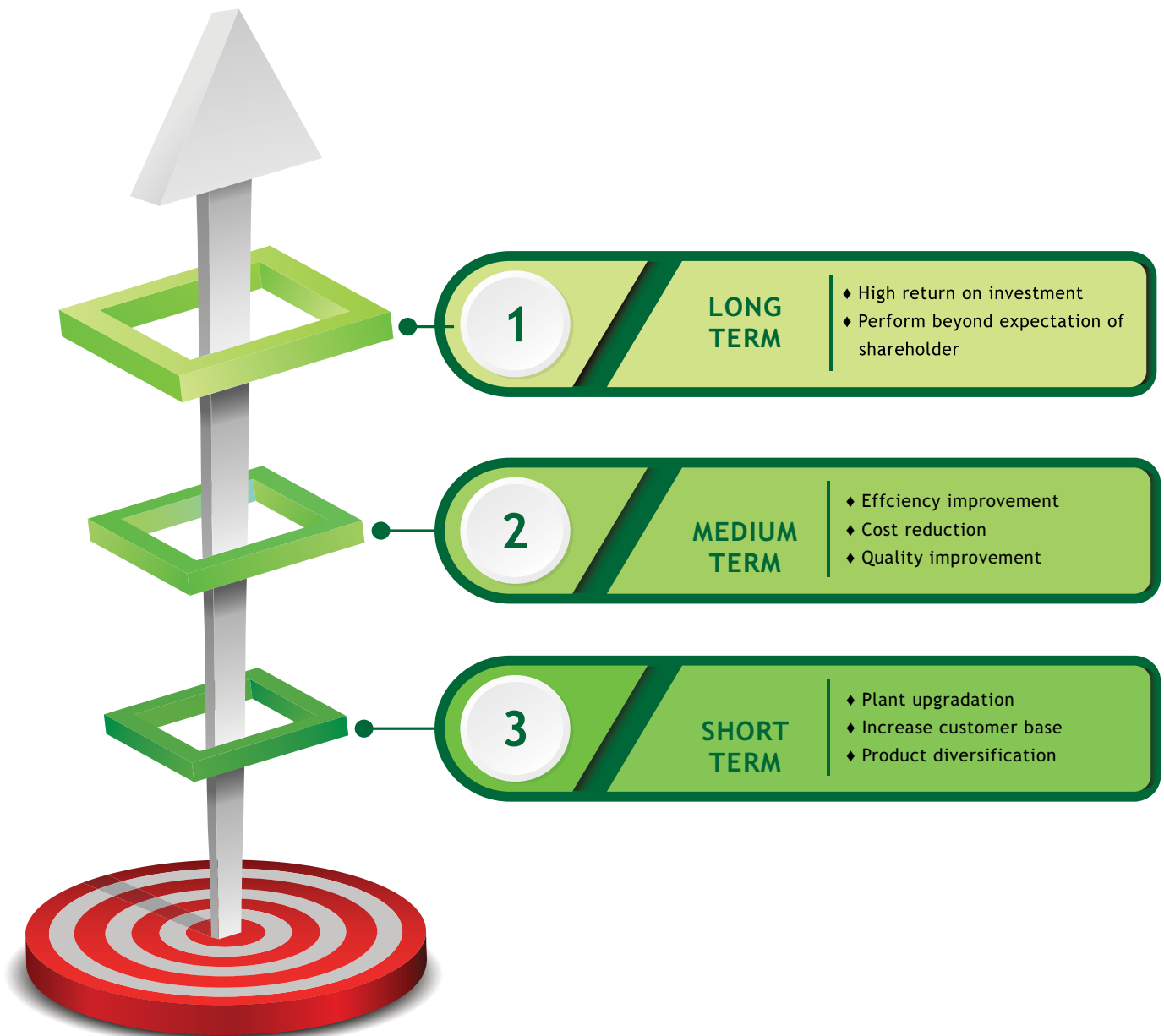
- * Cost control
- * Succession planning
- * Employee satisfaction and retention
- * CSR awareness
- * Clean environment and safety for smooth operations



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

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.

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 6,899 million as reserves as at June 30, 2023 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 1,718 million of fixed assets as at June 30, 2023, constituting 17% of total assets of the Company. Total inventory of Rs 801 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

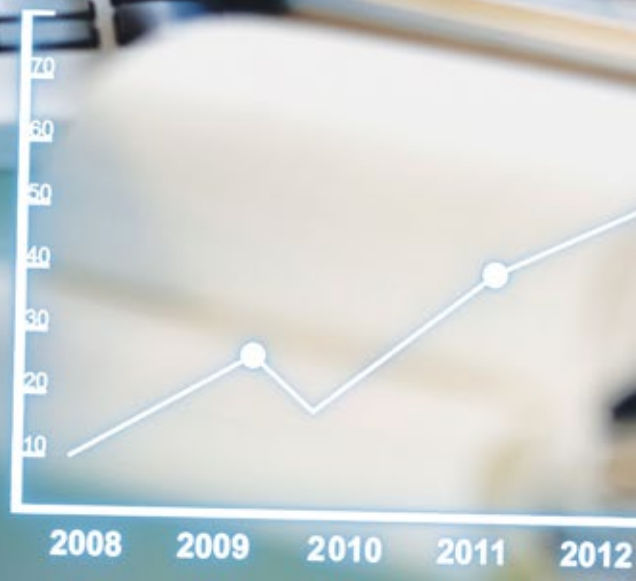
The Company recognizes the importance of technology advancement and re-engineering of processes to achieve efficiencies in operations. The Company invests in the development of intellectual capital, market research, management information systems, and improvement in the governance structure within the 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 Management

96	Risk Management Framework
99	Enterprise Risk Management Process at the Company
100	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:

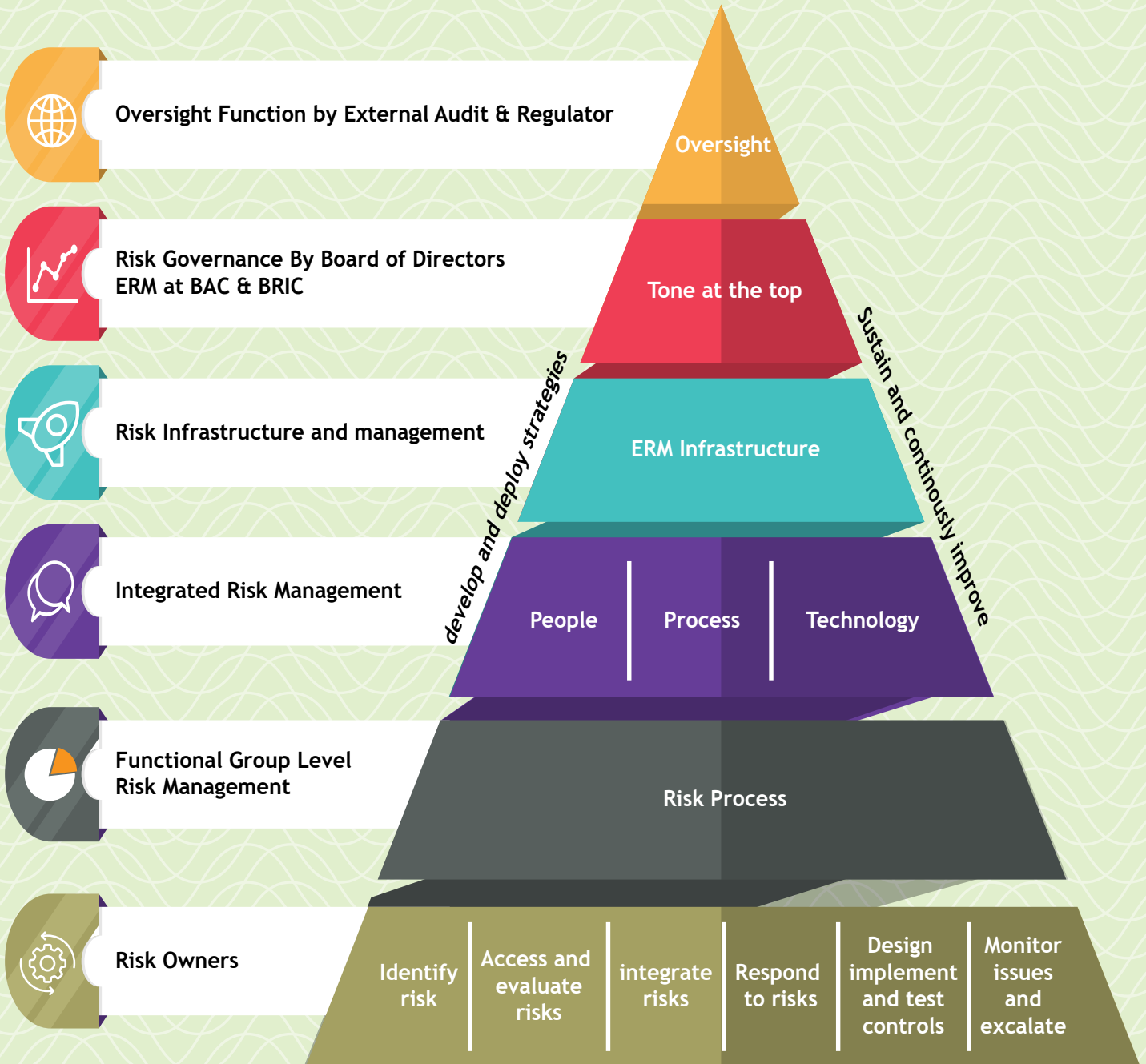
- a) Reviewing and recommending risk strategy and policies;
- b) Reviewing adequacy and effectiveness of the Company's risk framework
- c) Monitoring the implementation of risk mitigation plans;

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

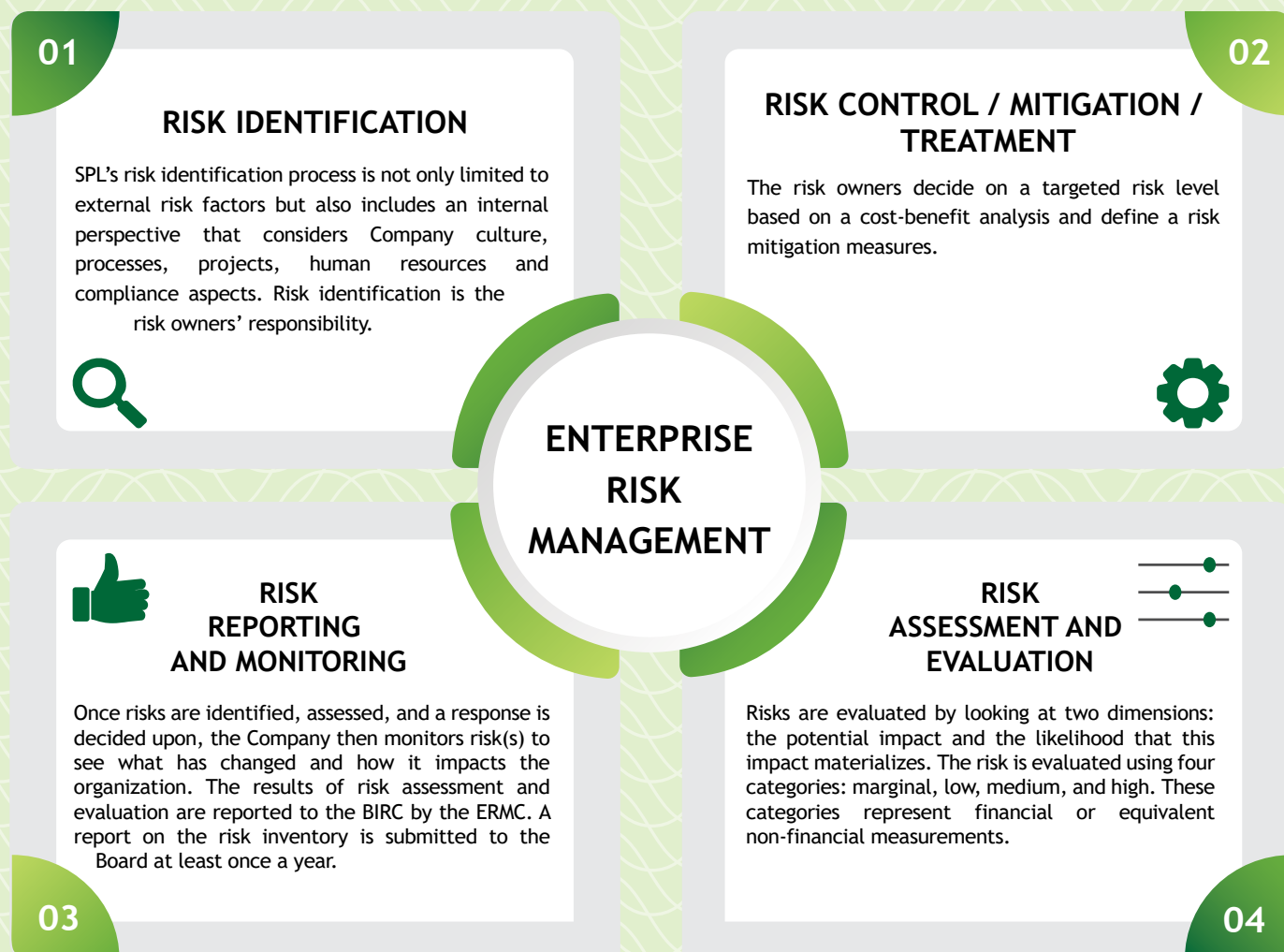
RISK MANAGEMENT FRAMEWORK

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 delivered Ballot paper to the Election Commission of Pakistan for the first time ever.
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

Supply Chain Disruption Risks and Mitigation Strategy in the Face of Environmental, Social, and Governance Incidents

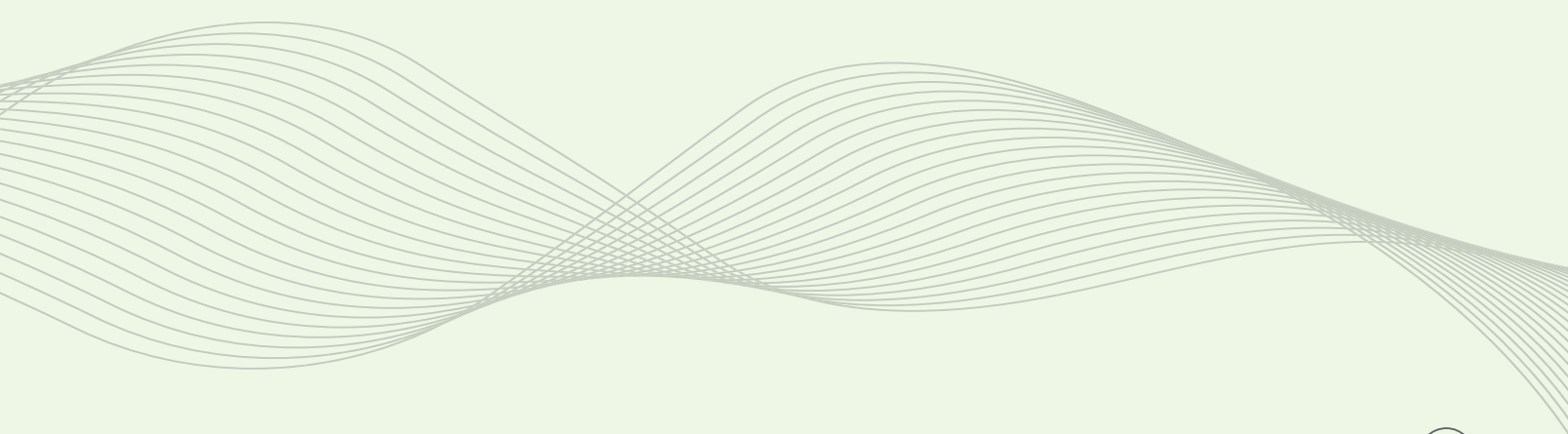
In a rapidly changing environment, businesses are becoming more aware of the impact that environmental, social, and governance (ESG) factors have on their operations, especially their supply chain. Our Company acknowledges these risks and is committed to mitigating them. The Company acknowledges the potential risks associated with these factors, particularly those that could affect its supply chain.

To reduce the risk of supply chain disruptions caused by ESG incidents, the Company has created a system to identify potential problems early on. We work closely with our suppliers and other businesses to learn about new risks as they emerge. We also have a system in place to track ESG incidents that could affect our supply chain so that we can take action quickly if needed.

Effective mitigation of supply chain disruption risks requires a proactive and cooperative approach. The Company has put in place a number of different measures to address this challenge, including:

- **Supplier Engagement and Collaboration:** The Company believes in working hand in hand with our suppliers. We actively reach out to them, aiming to raise their awareness about environmental, social, and governance (ESG) issues. It's not just about business; it's about sharing our values. This means we encourage responsible sourcing practices, support ethical labor standards, and champion sustainable production methods together. It's a collaborative effort that goes beyond contracts and transactions—it's about making a positive impact together.
- **Supplier Diversity:** The Company is actively working on expanding the pool of suppliers we work with. As part of our risk management, by diversifying our supplier base, we are reducing our dependence on just one source. This helps us reduce our risk by not relying on a single supplier. If there's a problem with one supplier or region, it won't have a big impact on our business.
- **Resilience Enhancement:** The Company is working to make our supply chain more resilient to disruptions. This includes implementing redundancy measures and exploring alternative sourcing options whenever feasible.

The Company is committed to addressing ESG-related supply chain disruption risks head-on. By identifying, monitoring, and mitigating these risks, we are not only securing the long-term sustainability of our operations, but also reducing the potential for negative impacts on society and the environment. By taking these steps, we are helping to create a business world that is more resilient and responsible.



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 2022-23, the equity of the Company has increased to Rs. 7,492 Million - reflecting a growth of 4.97% from Financial Year 2021-22. 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

104 Striving for Excellence in Corporate Reporting

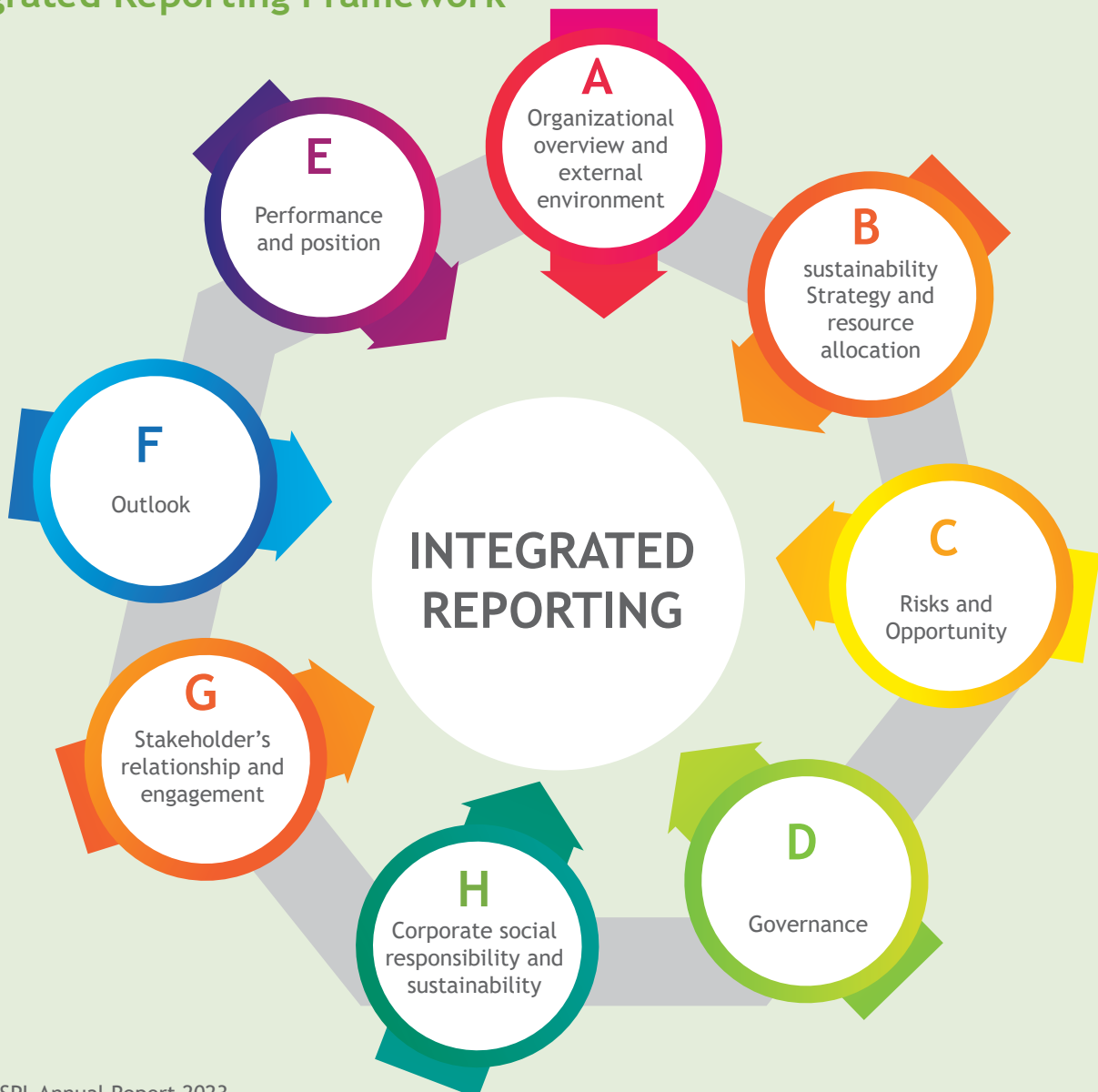
STRIVING FOR EXCELLENCE IN CORPORATE REPORTING

Unreserved Compliance of International Financial Reporting Standards (IFRS)

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



STRIVING FOR EXCELLENCE IN CORPORATE REPORTING

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.

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 2022-23.

Disclosure Beyond BCR Criteria

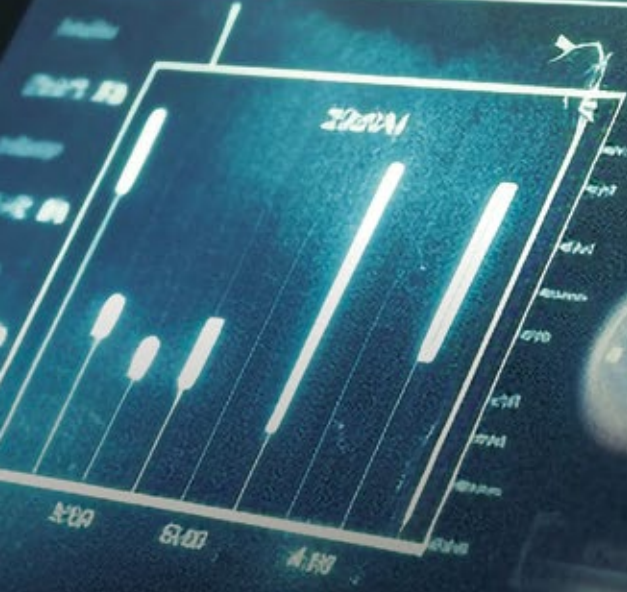
The Company has also mapped its report with additional disclosures which are beyond the criteria of BCR by ICAP and ICMAP to ensure further transparency, consistency, comparability and presentation of information for its stakeholders the details are as follows:

- GRI-Standards: Core options
- United Nations SDGs



25%

200



32

48

5

NUMBER



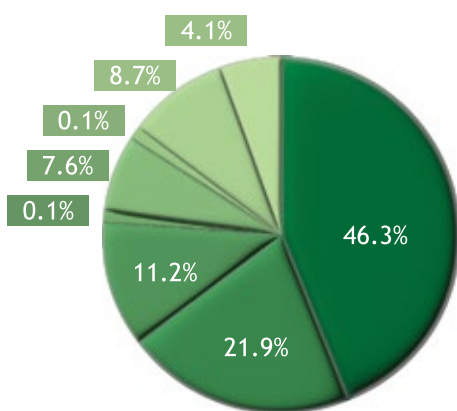
Analysis of Financial Information

- 108 Statement of Value Addition and its Distribution
- 109 Horizontal and Vertical Analysis - Statement of Financial Position
- 111 Horizontal and Vertical Analysis - Statement of Profit or loss
- 112 Analysis of Financial Statements
- 118 Graphical Presentation of Analysis of Financial Statements
- 119 Dupont Analysis
- 123 Graphical Presentation of Financial Statements & Share Performance
- 124 Analysis of the Financial and Non-Financial Performance
- 125 Quarterly Performance Analysis
- 126 Statement of Free Cash Flows
- 127 Statement of Cash Flows - Direct Method
- 128 Economic Value Added
- 129 Share Price Sensitivity Analysis

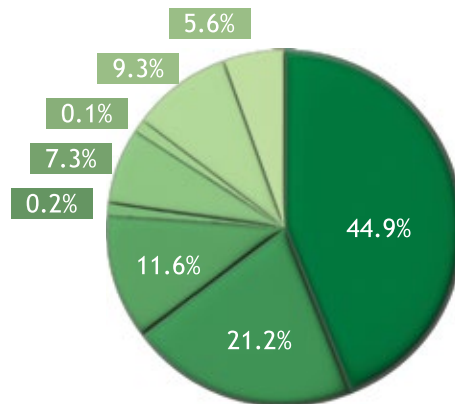
STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

	2023	%	2022	%
	(Rupees in thousand)			
VALUE ADDITION				
Net Sales including Sales Tax	6,807,737	90.9%	6,022,384	94.2%
Other Operating Income	678,391	9.1%	373,994	5.8%
	7,486,128	100%	6,396,378	100%
VALUE DISTRIBUTION				
Materials and services providers	3,465,376	46.3%	2,871,077	44.9%
Government taxes and duties	1,640,253	21.9%	1,356,291	21.2%
Employees remuneration, benefits & others	837,205	11.2%	739,449	11.6%
Society welfare	10,542	0.1%	10,609	0.2%
Operating and other costs	565,690	7.6%	466,268	7.3%
Finance cost	6,932	0.1%	3,720	0.1%
Dividends *	651,815	8.7%	592,559	9.3%
Retained Within the business	308,315	4.1%	356,405	5.6%
	7,486,128	100%	6,396,378	100%

Subsequent to the year end, Board of Directors' proposed cash dividend of Rs 651.82 million (i.e. Rs 11.00 /- per share) for approval of the members in Annual General Meeting as referred to in note 39 of the financial statements.



2023



2022

- 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 FINANCIAL POSITION

Horizontal Analysis

	2023	2022	2021	2020	2019	2018
ASSETS						
Non-current assets						
Property, plant and equipment	(3.75%)	(4.43%)	8.66%	13.51%	(4.68%)	(0.12%)
Right of use assets	51.79%	2.62%	(16.44%)	100.00%	-	-
Intangible assets	(12.20%)	(12.56%)	(10.26%)	1166.04%	20.09%	100.00%
Long term investments	145.88%	32.31%	(31.33%)	9.14%	197.71%	(48.66%)
Long-term deposits	54.94%	3.48%	7.00%	4.45%	7.97%	(75.29%)
Current assets						
Stores, spares and loose tools	(1.48%)	6.77%	1.91%	8.06%	5.33%	24.99%
Stock-in-trade	42.85%	1.24%	4.69%	45.45%	(7.00%)	(28.69%)
Trade debts - considered good	86.92%	3.11%	125.06%	(60.06%)	44.19%	(0.83%)
Advances, deposits, prepayments and other receivables	(22.72%)	50.26%	75.15%	(47.40%)	78.64%	(20.96%)
Accrued mark-up	255.20%	(47.63%)	(49.45%)	36.20%	(0.27%)	(5.05%)
Investments	(40.88%)	13.53%	47.43%	28.34%	(28.07%)	20.36%
Cash and bank balances	(46.77%)	16.27%	(4.65%)	233.77%	(49.49%)	1255.33%
Total assets	10.65%	9.47%	16.51%	14.78%	3.26%	3.75%
LIABILITIES						
Current liabilities						
Trade and other payables	35.50%	52.63%	9.39%	19.25%	(7.54%)	13.93%
Accrued mark-up on short term finance - secured	(92.59%)	272.41%	(91.92%)	209.48%	866.67%	(85.37%)
Short term running finance	-	-	-	(100.00%)	61.17%	100.00%
Current maturity of long term loan	-	-	-	-	-	(100.00%)
Current portion of lease liabilities	(3.10%)	5.31%	4.12%	(0.35%)	4.52%	22.59%
Unclaimed dividend	9.10%	5.16%	158.11%	(16.87%)	(79.17%)	11.19%
Unpaid dividend	13.61%	13.69%	37.56%	1.01%	27.69%	17.61%
Taxation - net	202.93%	(36.29%)	(1.28%)	4.94%	(18.14%)	(13.09%)
Non-current liabilities						
Lease liabilities	68.68%	(14.90%)	(1.50%)	4.71%	13.95%	38.07%
Staff retirement benefits	62.11%	35.68%	(12.44%)	8,488%	-	-
Deferred taxation - net	(13.35%)	(16.78%)	56.23%	(4.09%)	(31.03%)	(15.82%)
Total liabilities	33.55%	24.97%	18.62%	4.18%	(3.34%)	9.94%
Net Assets	4.97%	6.20%	16.08%	17.24%	4.94%	2.28%
Issued, subscribed and paid-up capital	-	-	-	-	-	-
General reserve	6.37%	19.96%	10.57%	7.11%	7.20%	14.44%
Unappropriated profit	(0.21%)	(35.11%)	49.54%	140.21%	(7.24%)	(44.93%)
Shareholders' equity	4.97%	6.20%	16.08%	17.24%	4.94%	2.28%
Total liabilities & shareholders' equity	10.65%	9.47%	16.51%	14.78%	3.26%	3.75%

STATEMENT OF FINANCIAL POSITION

Vertical Analysis

	2023	2022	2021	2020	2019	2018
ASSETS						
Non-current assets						
Property, plant and equipment	17.43%	20.04%	22.96%	24.62%	24.90%	26.97%
Right of use assets	0.34%	0.25%	0.27%	0.37%	-	-
Intangible Assets	0.14%	0.18%	0.22%	0.29%	0.03%	0.02%
Long term investments	29.46%	13.26%	10.97%	18.61%	19.57%	6.79%
Long-term deposits	0.08%	0.06%	0.06%	0.06%	0.07%	0.07%
Current assets						
Stores, spares and loose tools	2.15%	2.41%	2.47%	2.82%	3.00%	2.94%
Stock-in-trade	8.13%	6.30%	6.81%	7.58%	5.98%	6.64%
Trade debts - considered good	15.88%	9.40%	9.98%	5.17%	14.85%	10.64%
Advances, deposits, prepayments and other receivables	0.94%	1.35%	0.98%	0.65%	1.42%	0.86%
Accrued mark-up	1.10%	0.34%	0.71%	0.88%	0.74%	0.77%
Investments	20.26%	37.91%	36.56%	29.15%	26.08%	37.43%
Cash and bank balances	4.09%	8.51%	8.01%	9.79%	3.37%	6.89%
Total assets	100%	100%	100%	100%	100%	100%
LIABILITIES						
Current liabilities						
Trade and other payables	14.78%	12.07%	8.66%	9.22%	8.88%	9.93%
Accrued mark-up on short term finance - secured	-	-	-	0.01%	-	-
Short term running finance	-	-	-	-	-	0.93%
Current portion of lease liabilities	0.08%	0.09%	0.09%	0.10%	0.12%	0.12%
Unpaid & unclaimed dividend	4.71%	4.59%	4.42%	3.72%	4.24%	3.55%
Taxation - net	2.21%	0.81%	1.38%	1.63%	1.79%	2.25%
Non-current liabilities						
Lease Liabilities	0.28%	0.18%	0.24%	0.28%	0.31%	0.28
Staff retirement benefits	0.56%	0.38%	0.31%	0.41%	-	-
Deferred taxation - net	1.38%	1.76%	2.31%	1.73%	2.06%	3.09%
Total liabilities	23.99%	19.87%	17.41%	17.10%	18.84%	20.14%
Net assets	76.01%	80.13%	82.59%	82.90%	81.16%	79.86%
Issued, subscribed and paid-up capital	6.01%	6.65%	7.28%	8.48%	9.74%	10.06%
General & capital reserves	60.38%	62.81%	57.31%	60.39%	64.72%	62.34%
Unappropriated profit	9.62%	10.67%	18.00%	14.02%	6.70%	7.46%
Shareholders' equity	76.01%	80.13%	82.59%	82.90%	81.16%	79.86%
Total liabilities & shareholders' equity	100%	100%	100%	100%	100%	100%

STATEMENT OF PROFIT OR LOSS

Horizontal Analysis

	2023	2022	2021	2020	2019	2018
Sales - net	12.58%	2.91%	2.05%	22.48%	15.42%	21.99%
Cost of sales	22.27%	12.10%	3.83%	24.36%	11.16%	23.95%
Gross profit	(7.97%)	(12.32%)	(0.78%)	19.62%	22.58%	18.82%
Administrative expenses	12.68%	10.80%	5.79%	24.60%	(1.77%)	23.44%
Other operating income	81.39%	(36.62%)	63.87%	104.99%	31.93%	(74.43%)
Other operating charges	(7.27%)	73.97%	2.70%	(57.64%)	23.04%	182.26%
Operating profit	10.58%	(29.88%)	10.73%	55.37%	30.49%	(31.91%)
Finance costs	54.69%	24.99%	(17.03%)	39.73%	(28.32%)	4.50%
Profit before taxation	10.44%	(29.98%)	10.80%	55.41%	30.78%	(32.03%)
Taxation - net	28.42%	(16.55%)	2.35%	35.67%	22.50%	(13.74%)
Profit after taxation	1.94%	(34.93%)	14.28%	65.31%	35.36%	(39.17%)

Vertical Analysis

	2023	2022	2021	2020	2019	2018
Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of sales	73.80%	67.95%	62.38%	61.31%	60.38%	62.70%
Gross profit	26.20%	32.05%	37.62%	38.69%	39.62%	37.30%
Administrative expenses	6.80%	6.79%	6.31%	6.09%	5.98%	7.03%
Other operating income	11.71%	7.27%	11.80%	7.35%	4.39%	3.84%
Other operating charges	4.35%	5.28%	3.12%	3.10%	8.97%	8.42%
Operating profit	26.76%	27.24%	39.98%	36.85%	29.05%	25.69%
Finance costs	0.12%	0.09%	0.07%	0.09%	0.08%	0.12%
Profit before taxation	26.64%	27.16%	39.91%	36.76%	28.97%	25.57%
Taxation - net	9.95%	8.72%	10.75%	10.72%	9.68%	9.12%
Profit after taxation	16.69%	18.44%	29.16%	26.04%	19.29%	16.45%

ANALYSIS OF FINANCIAL STATEMENTS

	2023	2022	2021	2020	2019	2018
Financial Position						
Fixed Assets	1,718,372	1,785,402	1,868,242	1,719,417	1,514,757	1,589,119
Right to use assets	33,689	22,194	21,628	25,882	-	-
Intangible assets	13,920	15,855	18,133	20,206	1,596	1,329
Investments	2,903,729	1,180,955	892,543	1,299,667	1,190,841	399,999
Lease deposits	7,648	4,936	4,770	4,458	4,268	3,953
	4,677,358	3,009,342	2,805,316	3,069,630	2,711,462	1,994,400
Current assets	5,178,928	5,898,625	5,332,033	3,914,344	3,372,972	3,897,105
Current liabilities	(2,145,392)	(1,563,087)	(1,183,904)	(1,025,438)	(1,001,985)	(987,389)
Working capital	3,033,536	4,335,538	4,148,129	2,888,906	2,370,987	2,909,716
Long term liabilities	83,149	50,625	44,515	48,389	18,735	16,441
Deferred tax	135,743	156,652	188,230	120,481	125,618	182,124
Net Assets	7,492,002	7,137,603	6,720,700	5,789,666	4,938,096	4,705,551
Paid-up-capital	592,559	592,559	592,559	592,559	592,559	592,559
Reserves	6,899,443	6,545,044	6,128,141	5,197,107	4,345,537	4,112,992
Shareholders' equity	7,492,002	7,137,603	6,720,700	5,789,666	4,938,096	4,705,551
Profit or Loss						
Sales	5,794,593	5,147,258	5,001,692	4,901,284	4,001,591	3,466,918
Cost of sales	4,276,304	3,497,559	3,118,847	3,004,975	2,416,355	2,173,695
Gross profit	1,518,289	1,649,699	1,882,845	1,896,309	1,585,236	1,293,223
Administrative expenses	394,019	349,673	316,901	298,322	239,421	243,741
Profit after admin expenses	1,124,270	1,300,026	1,565,944	1,597,987	1,345,815	1,049,482
Other income	678,391	373,994	590,051	360,071	175,649	133,140
Other charges	252,042	271,795	156,234	152,124	359,089	291,839
Finance cost	6,933	4,482	3,586	4,322	3,093	4,315
Profit before Tax	1,543,686	1,397,743	1,996,175	1,801,612	1,159,282	886,468
Taxation	576,306	448,754	537,730	525,363	387,248	316,109
Profit after tax	967,380	948,989	1,458,445	1,276,249	772,034	570,359

ANALYSIS OF FINANCIAL STATEMENTS

	2023	2022	2021	2020	2019	2018
Investors Information						
Dividend *						
Cash	651,815	592,559	533,304	533,304	488,861	474,047
Cash - %	110%	100%	90.0%	90.0%	82.5%	80%
Profit retained in business - value	315,565	356,430	925,141	742,945	283,173	96,312
Retention - %	32.62%	37.56%	63.43%	58.21%	36.68%	16.89%
Profitability Ratios						
Gross profit to sales %	26.20%	32.05%	37.64%	38.69%	39.62%	37.30%
EBITDA before other income (Rs '000)	1,082,654	1,258,462	1,611,125	1,642,270	1,202,029	966,100
EBITDA (Rs '000)	1,761,045	1,632,456	2,201,176	2,002,341	1,377,678	1,099,240
EBITDA margin to sales %	30.39%	31.72%	44.01%	40.85%	34.43%	31.71%
Profit before tax to sales %	26.64%	27.16%	39.91%	36.76%	28.97%	25.57%
Profit after tax to sales %	16.69%	18.44%	29.16%	26.04%	19.29%	16.45%
Operating leverage ratio %	22.92%	(410.49%)	193.04%	71.53%	50.80%	(66.81%)
Return on equity - before tax %	20.60%	19.58%	29.70%	31.12%	23.48%	18.84%
Return on equity - after tax %	12.91%	13.30%	21.70%	22.04%	15.63%	12.12%
Return on capital employed %	12.77%	13.20%	21.56%	21.86%	15.58%	12.08%
Total shareholder return %	(11.96)	(18.61)	11.62	58.16	(19.98)	(16.93)
Liquidity Ratios						
Current ratio	2.41:1	3.77:1	4.50:1	3.82:1	3.37:1	3.95:1
Quick ratio	2.05:1	3.28:1	3.87:1	3.11:1	2.83:1	3.37:1
Cash to current liabilities	0.98:1	0.49:1	0.55:1	0.67:1	0.20:1	0.41:1
Cash flow from operations to sales	0.02:1	0.23:1	0.14:1	0.34:1	0.16:1	0.29:1
Cash flow to capital expenditure	0.75:1	9.03:1	4.88:1	3.97:1	5.05:1	5.22:1
Cash flow coverage ratio	0.05:1	0.76:1	0.59:1	1.62:1	0.64:1	1.03:1

ANALYSIS OF FINANCIAL STATEMENTS

	2023	2022	2021	2020	2019	2018
Market Ratios						
No. of shares in issue - ('000)	59,256	59,256	59,256	59,256	59,256	59,256
Cash dividend per share (Rs)	11.00	10.00	9.00	9.00	8.25	8.00
Earning per share - before tax (Rs)	26.05	23.59	33.69	30.40	19.56	14.96
Earning per share - after tax (Rs)	16.33	16.02	24.61	21.54	13.03	9.63
Break-up value per share (Rs) :						
- Without surplus on revaluation on fixed assets } - With surplus on revaluation on fixed assets }	126.43	120.45	113.42	97.71	83.34	79.41
Price earning ratio - Year end price (Rs)	5.70	7.24	5.87	6.59	7.12	12.57
Earning yield - Year end price %	17.55%	13.81%	17.02%	15.17%	14.04%	7.95%
Dividend Payout %	67%	62%	37%	42%	63%	83%
Dividend yield - Year end price %	11.83%	8.62%	6.23%	6.34%	8.89%	6.61%
Dividend cover - times	1.48	1.60	2.73	2.39	1.58	1.20
Capital Structure Ratios						
Financial leverage ratio	4.17:1	5.03:1	5.74:1	5.85:1	5.31:1	4.97:1
Long term debt to equity	0.01:1	0.01:1	0.01:1	0.01:1	0.00:1	0.00:1
Long term debt to asset	0.01:1	0.01:1	0.01:1	0.01:1	0.00:1	0.00:1
Debt equity ratio	0.01:1	0.01:1	0.01:1	0.01:1	0.00:1	0.00:1
Net assets per share	126.43	120.45	113.42	97.71	83.34	79.41
Interest cover ratio	314:1	659:1	828:1	595:1	777:1	444:1
Weighted average cost of debt	18.84%	9.73%	10.0%	12.8%	8.19%	10.74%

ANALYSIS OF FINANCIAL STATEMENTS

	2023	2022	2021	2020	2019	2018
Turnover Ratios						
Return on assets - before tax - %	15.66%	15.69%	24.53%	25.80%	19.05%	15.05%
Return on assets - after tax - %	9.81%	10.65%	17.92%	18.27%	12.69%	9.68%
Fixed assets turnover ratio	3.28:1	2.82:1	2.62:1	2.78:1	2.64:1	2.18:1
Total assets turnover - %	59.00%	58.00%	61.00%	70.00%	66.00%	59.00%
Stock turnover - (In Times)	7.63	6.28	5.76	6.73	6.40	4.63
Number of days in inventory	48	58	64	54	57	79
Number of days in receivables	69	50	37	41	60	57
Number of days in payables	42	31	26	27	22	35
Operating cycle	75	77	75	68	95	101
Employee productivity ratios						
Production per employee (tons)	13.52	13.51	12.35	12.06	9.84	8.54
Revenue per employee (Rs in mn)	19.38	16.60	14.93	13.50	10.59	9.05
Staff turnover ratio (including retirement)	7.02%	6.45%	11.94%	5.23%	4.50%	4.96%
Non-Financial ratios / Others						
Plant availability - %	98.93%	98.53%	99.20%	99.6%	99.53%	99.20%
Spares inventory as % of assets cost	4.41%	4.55%	4.52%	4.97%	4.75%	4.67%
Maintenance cost as % of operating expenses	1.39%	1.41%	1.45%	1.64%	1.67%	1.82%
Share performance						
Share price - highest (Rs)	126.90	172.00	248.50	151.49	127.00	170.00
Share price - lowest (Rs)	81.55	106.25	122.00	77.25	78.00	115.49
Share price - average (Rs)	104.23	139.13	185.25	113.26	102.50	142.75
Share price - at year end (Rs)	93.00	115.96	144.57	141.95	92.79	121.02
Market capitalization - year end Price - (Rs '000)	5,510,795	6,871,310	8,566,620	8,411,369	5,498,351	7,171,144
Turnover of shares	1,760,800	7,667,805	8,064,300	2,538,200	2,620,600	3,672,400

ANALYSIS OF FINANCIAL STATEMENTS

	2023	2022	2021	2020	2019	2018
Production (Ton)						
Banknote paper	3,037	3,575	3,527	3,399	3,214	2,692
Non-Banknote paper	1,006	612	611	978	505	581
Total	4,043	4,187	4,138	4,377	3,719	3,273

Sales (Ton)						
Banknote paper	3,042	3,567	3,534	3,373	3,215	2,712
Non-Banknote paper	1,006	609	629	962	511	591
Total	4,048	4,176	4,163	4,335	3,726	3,303

Summary of cash flows						
Cash flows from operating activities	98,978	1,185,211	695,287	1,660,735	641,961	1,014,309
Net cash generated/(used in) investing activities	1,793,054	(584,202)	(283,872)	(656,975)	(380,817)	(317,087)
Net cash generated/(used in) financing activities	(554,667)	(494,930)	(443,251)	(524,734)	(461,881)	(396,502)
Cash and cash equivalents at beginning of the year	758,182	652,103	683,939	204,913	405,650	104,930
Cash and cash equivalents at end of the year	2,095,547	758,182	652,103	683,939	204,913	405,650

All figures are in thousand Rupees, unless stated otherwise.

Subsequent to the year end, Board of Directors' proposed cash dividend of Rs 651.82 million (i.e. Rs 11.00 /- per share) for approval of the members in Annual General Meeting as referred to in note 39 of the financial statements.

COMMENTS ON RATIO ANALYSIS

Profitability ratios

Sales revenue improved during the year by 12.6% as compared to last year and earned other income of Rs 678 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. Profit before tax is higher by 10% as against last year but net profit to net sales is lower than previous year primarily due to increase in super tax which directly affected Company's profit after tax.

Return on equity and return on capital employed reduce marginally is compared to prior years due to lower profits earned during the year.

Liquidity ratios

Cash and cash equivalents increased to Rs 2,095 MN from Rs 758 MN as compared to last year, reflecting strong financial position of the Company. The amount includes short term investment of Rs 1,692 MN. The investments in long term PIBs, capital expenditures and dividend payments resulted in decrease in current ratio and quick ratio.

Turnover ratios

The Debtor turnover days increased from 50 days to 69 days as against last year due to higher sales in last month of the year which has been recovered subsequently.

Creditor turnover days increased from 31 days to 42 days as compared to previous year which remains in acceptable limits. Further, fixed assets turnover has improved significantly to 3.28:1 in current year as against 2.82:1 in previous year due to proportionate growth in sales than average total assets during the year.

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 evidencing strong financial position. However, the higher weighted average cost of debt is the result of higher interest rates during the year.

Market ratios

Earning per share has been increased by 2% due to higher profits and dividend per share has also been increased by 10%. 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 market 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.

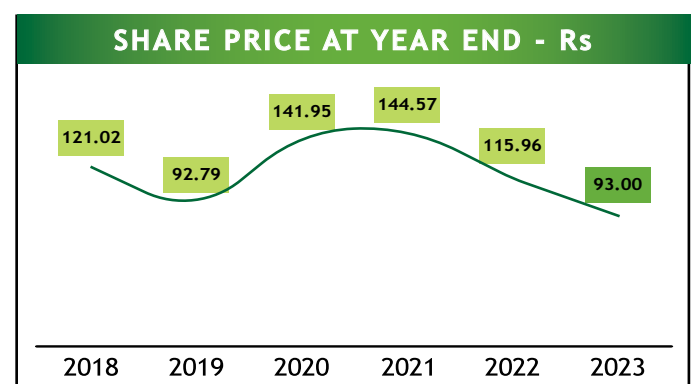
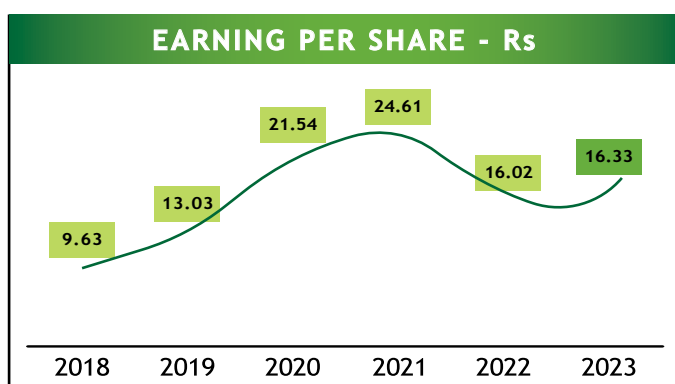
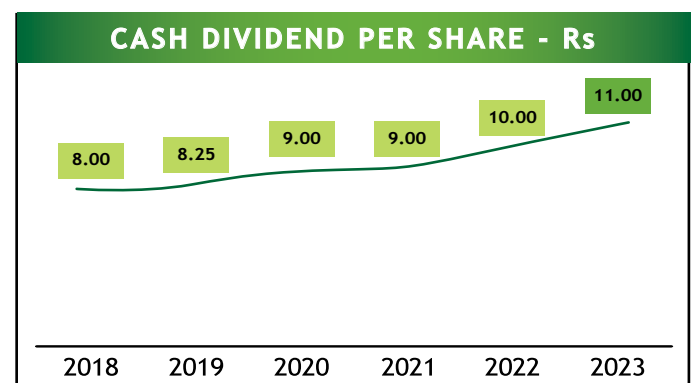
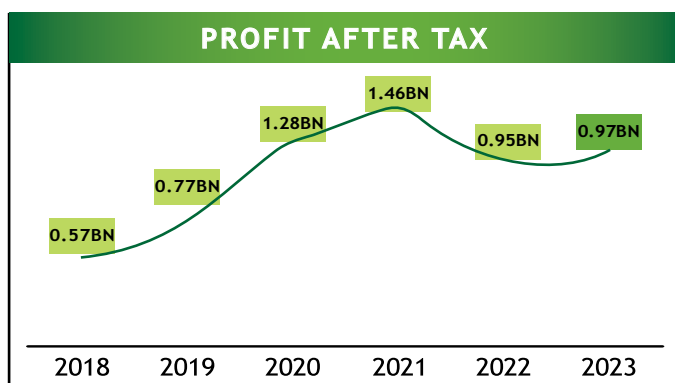
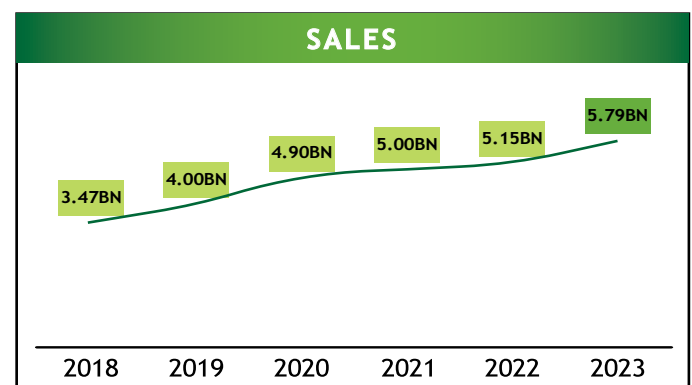
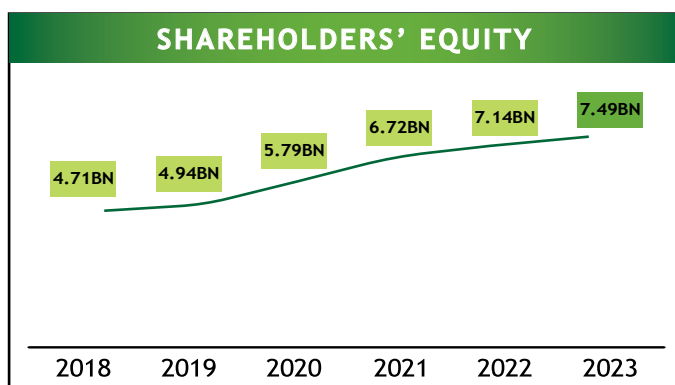
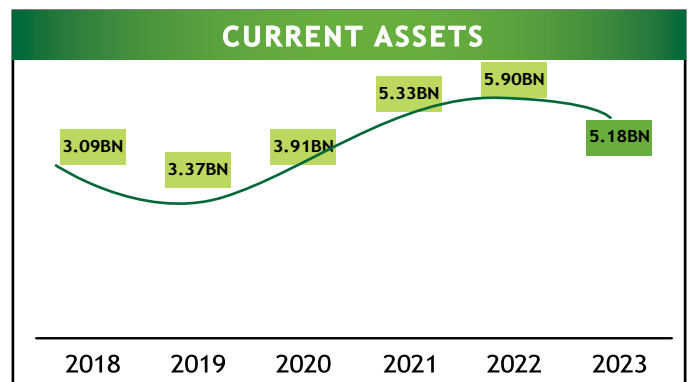
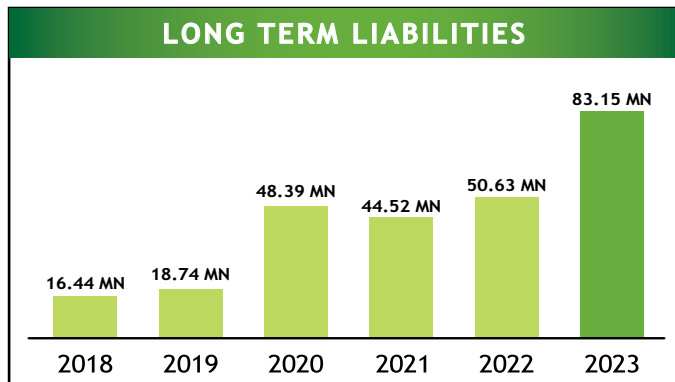
Non-Financial Ratios

The non-financial ratios are depicting an improvement in overall operational efficiencies. Plant remain 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.

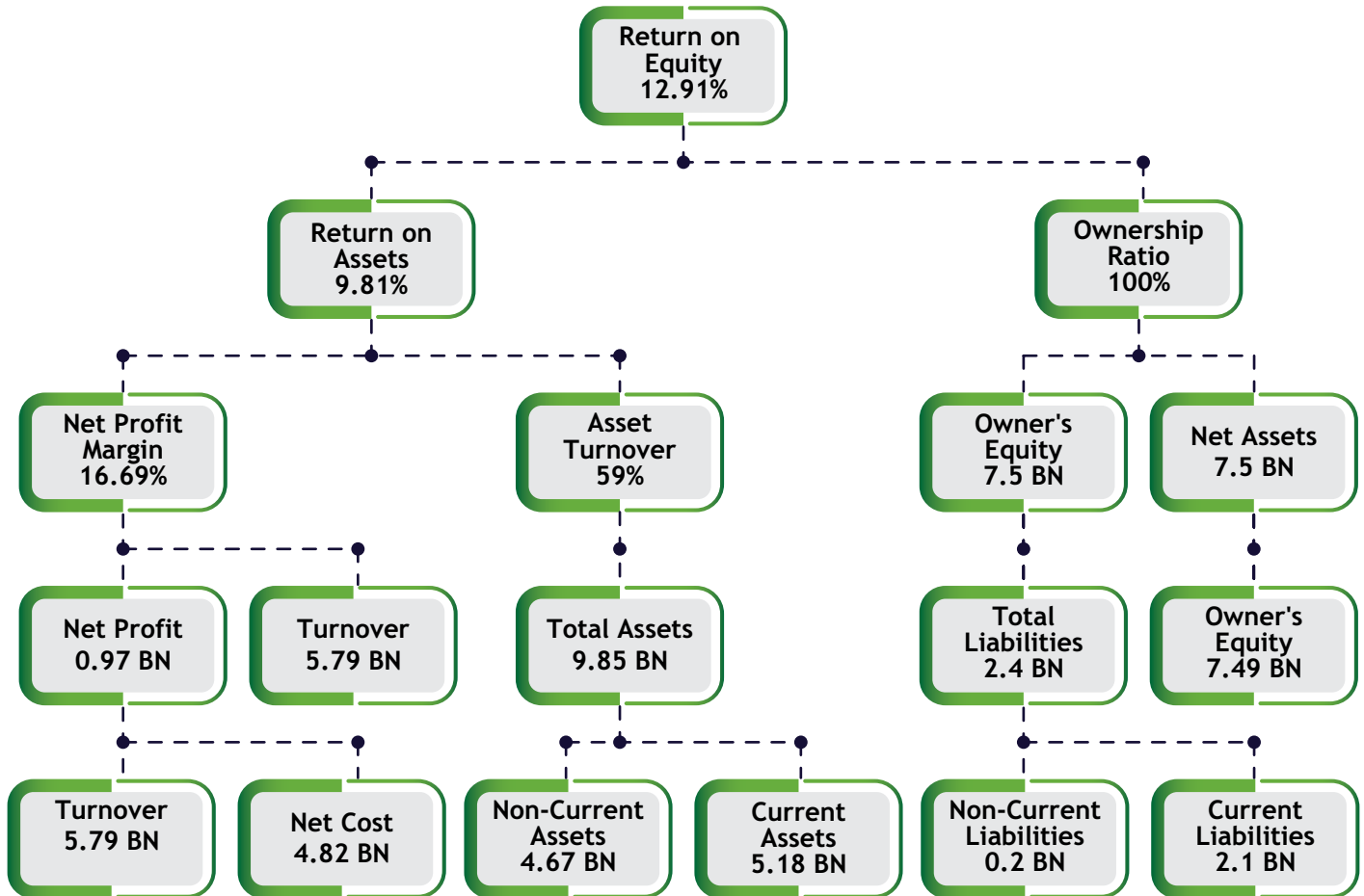
Operating cash flow ratios

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.

GRAPHICAL PRESENTATION OF ANALYSIS OF FINANCIAL STATEMENTS



DUPONT ANALYSIS & CHARTS WITH COMMENTS



Comment on Dupont Analysis

Turnover of the Company improved to Rs 5.79 BN as compared to Rs 5.14 BN in previous year, reflecting the stability and outstanding performance of the Company.

Net Profit Margin of the Company plunged to 16.69% in 2023 as compared to 18.44% reported in 2022, mainly due to adverse impacts in prices of raw material, rising energy cost, transportation cost, economic uncertainty, devaluation of currency and imposition of super tax.

Despite increase in revenues by 12.5%, reduction in total asset turnover ratio is attributable to increase in assets by Rs 948 million as compared to last year.

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

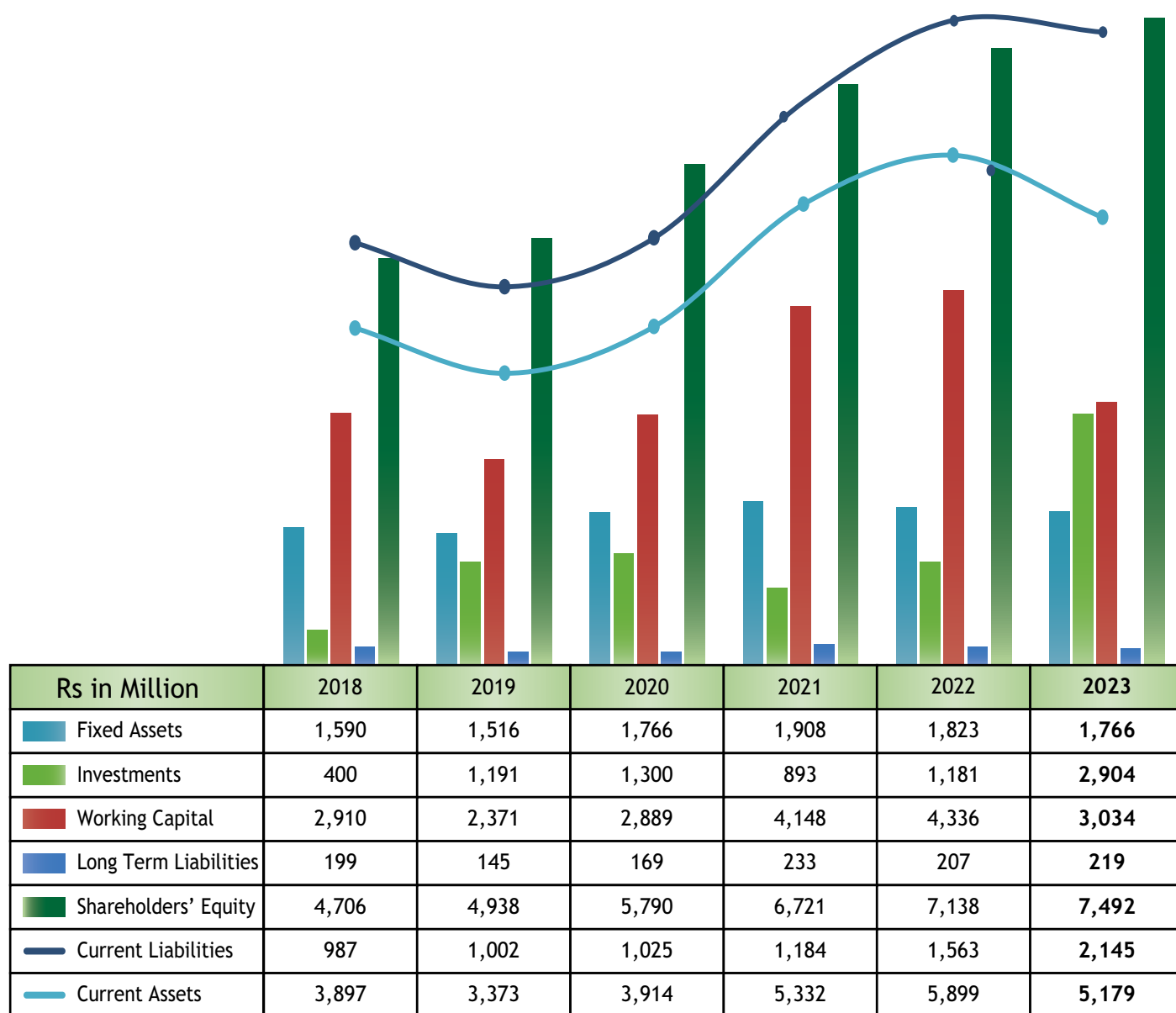
Interest cover ratio remained healthy and reflects minimal leverage position of the Company.

Tax efficiency ratio reduced to 63% due to higher tax rate of 39% during the year.

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

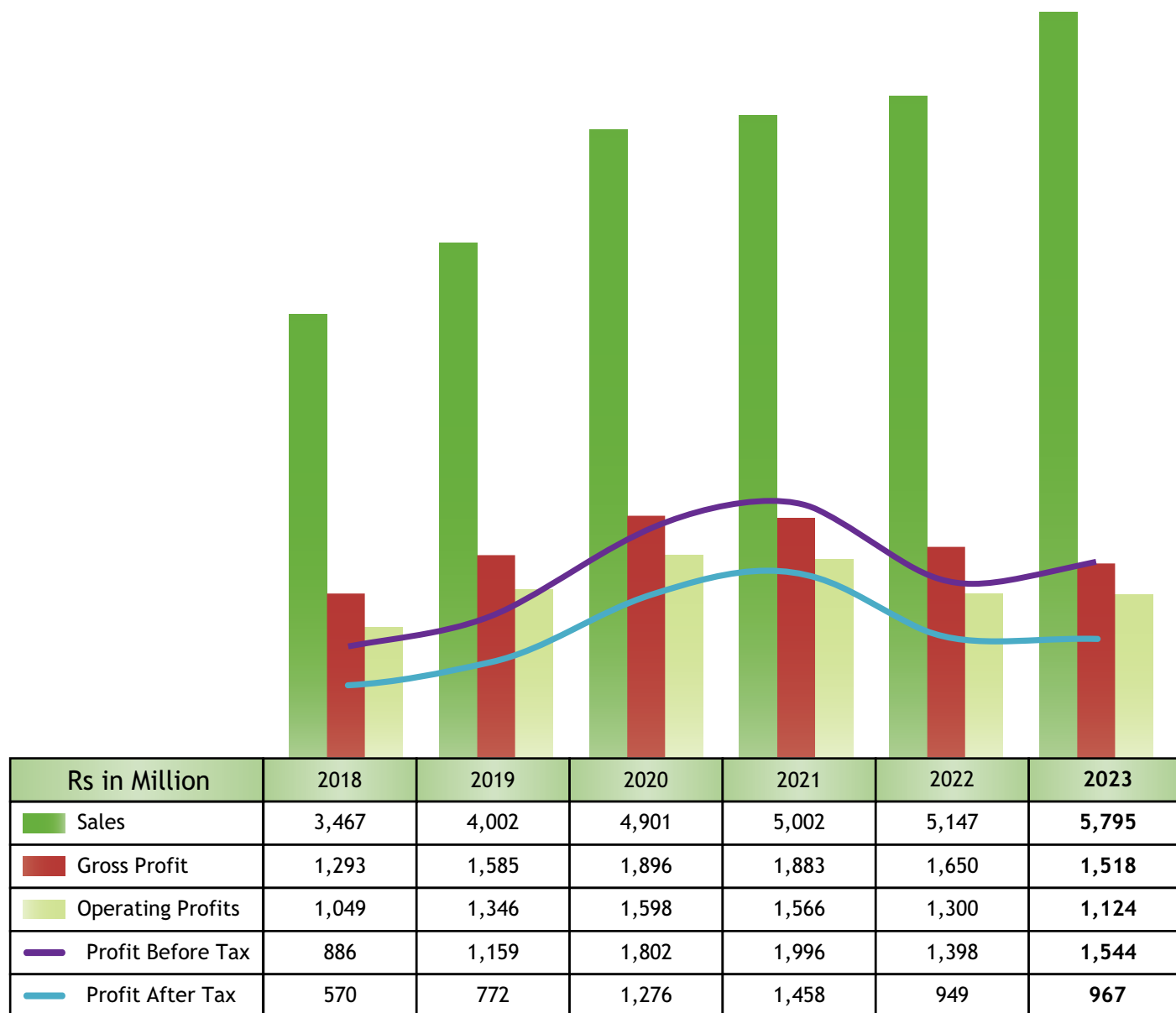
GRAPHICAL PRESENTATION OF FINANCIAL STATEMENTS & SHARE PERFORMANCE

Statement of Financial Position



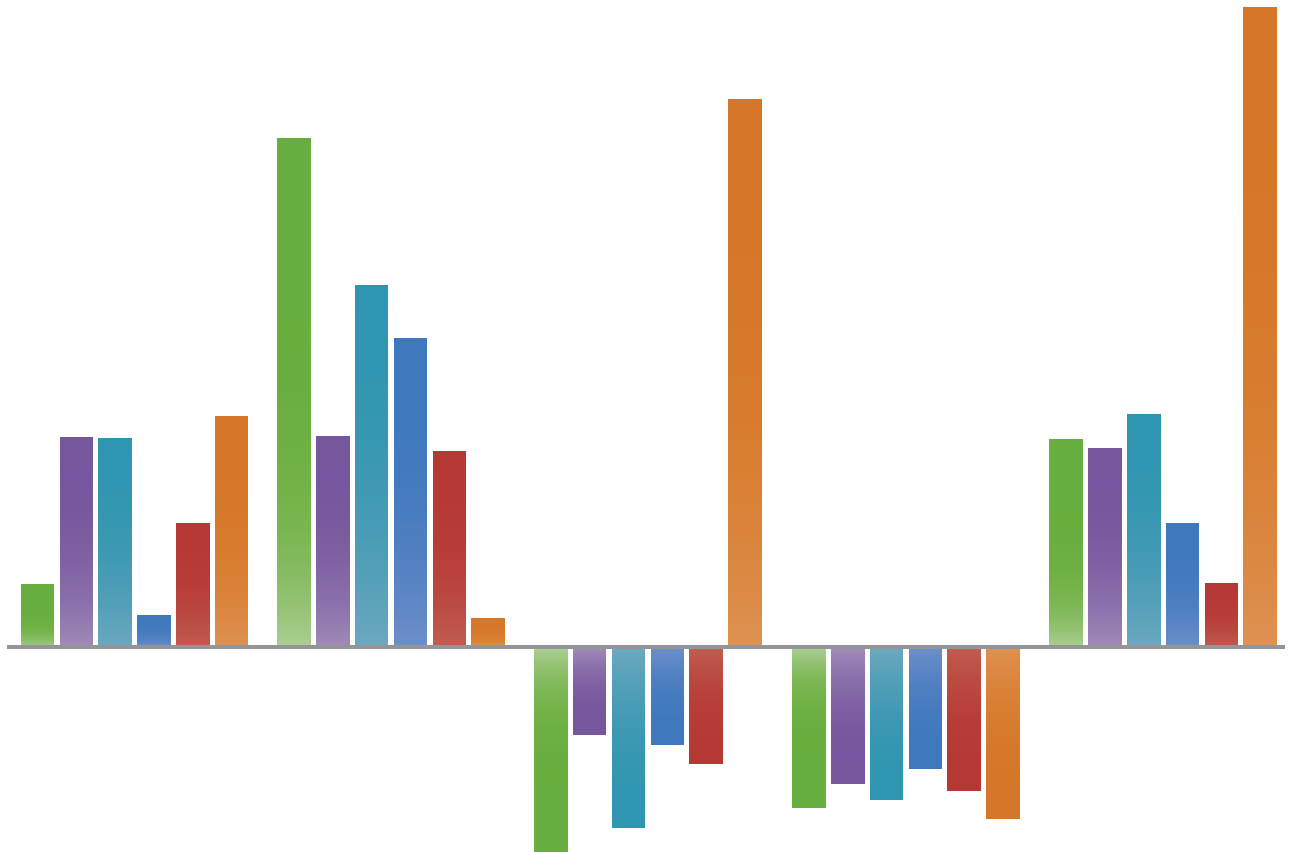
GRAPHICAL PRESENTATION OF FINANCIAL STATEMENTS & SHARE PERFORMANCE

Statement of Profit or Loss



GRAPHICAL PRESENTATION OF FINANCIAL STATEMENTS & SHARE PERFORMANCE

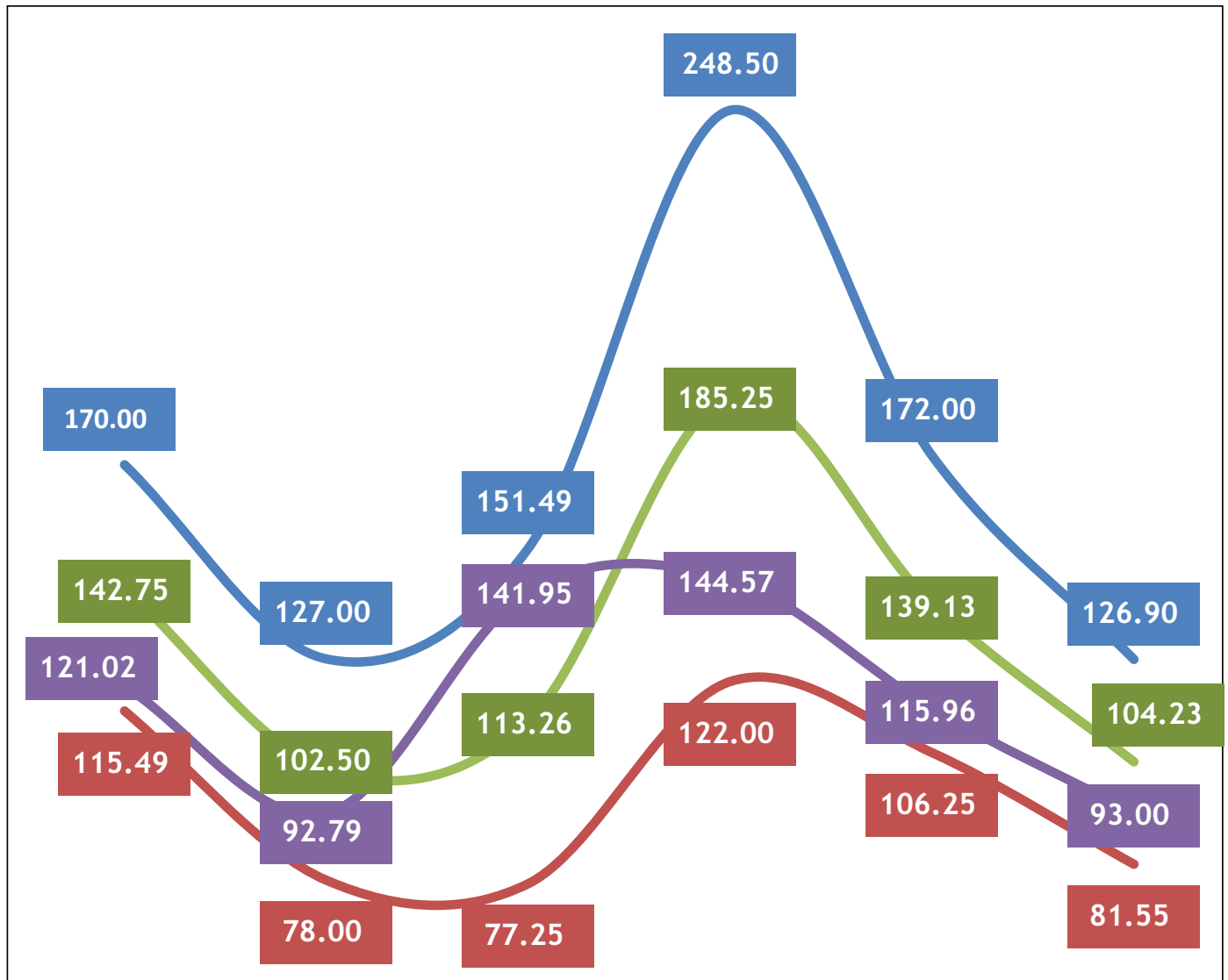
Cash Flows



Year	Opening Cash & Cash Equiv	Operating Activities	Investing Activities	Financing Activities	Closing Cash & Cash Equiv
	Rupees in Million				
2018	205	1,661	(657)	(525)	684
2019	684	695	(284)	(443)	652
2020	652	1,185	(584)	(495)	758
2021	105	1,014	(317)	(397)	406
2022	406	642	(381)	(462)	205
2023	758	99	1,793	(555)	2,096

GRAPHICAL PRESENTATION OF FINANCIAL STATEMENTS & SHARE PERFORMANCE

Share Performance



Description	2018	2019	2020	2021	2022	2023
Share Price - Highest (Rs.)	170.00	127.00	151.49	248.50	172.00	126.90
Share Price - Lowest (Rs.)	115.49	78.00	77.25	122.00	106.25	81.55
Share Price - Average (Rs.)	142.75	102.50	113.26	185.25	139.13	104.23
Share Price - At year end (Rs.)	121.02	92.79	141.95	144.57	115.96	93.00

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, sales and net profit after tax of the Company increased by Rs 647 million and Rs 18 million respectively as against last year. The profit after tax increased marginally despite increase in Super tax by 6%.

The average per kg cost worked out to Rs 1,056 as against Rs 838 last year. The budgeted average per kg cost Rs 1,035.

The rising interest rates are also contributed significantly in Company's other income for the year which exceeds the last year and budget.

The Company has successfully commissioned following projects during the year:

- New Comber store building has been completed, it would ready for use after installation of Cargo Lift shortly.
- The Company is committed towards green energy. It has commissioned 40 KW capacity solar energy system during the year 2022-23.
- Successful upgradation of existing Paper Machine quality control scanner system during 2023.

The Company has initiated following projects for upcoming years;

- As a part of Company's continual energy conservation plan, two separate projects of solar energy for 110 KW and 20 KW respectively to reduce cost of energy for next financial year.
- In order to cater steam supply requirement at plant, even in case of gas interruption, a Dual Fired Burner would be installed at Boiler House.
- New RO plant of capacity 100,000 gallon/day would be installed to treat bore water and use it at plant. A new bore has been successfully drilled.
- As part of technological upgrade, following equipment of Paper making and Cogeneration plants would be upgraded to the latest versions:
 - Distribution Control System (DCS) drives of stock pumps and Dryer fans.
 - Automatic Voltage Regulators (AVR) of Gas generators 1.4 MW capacity.

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.,

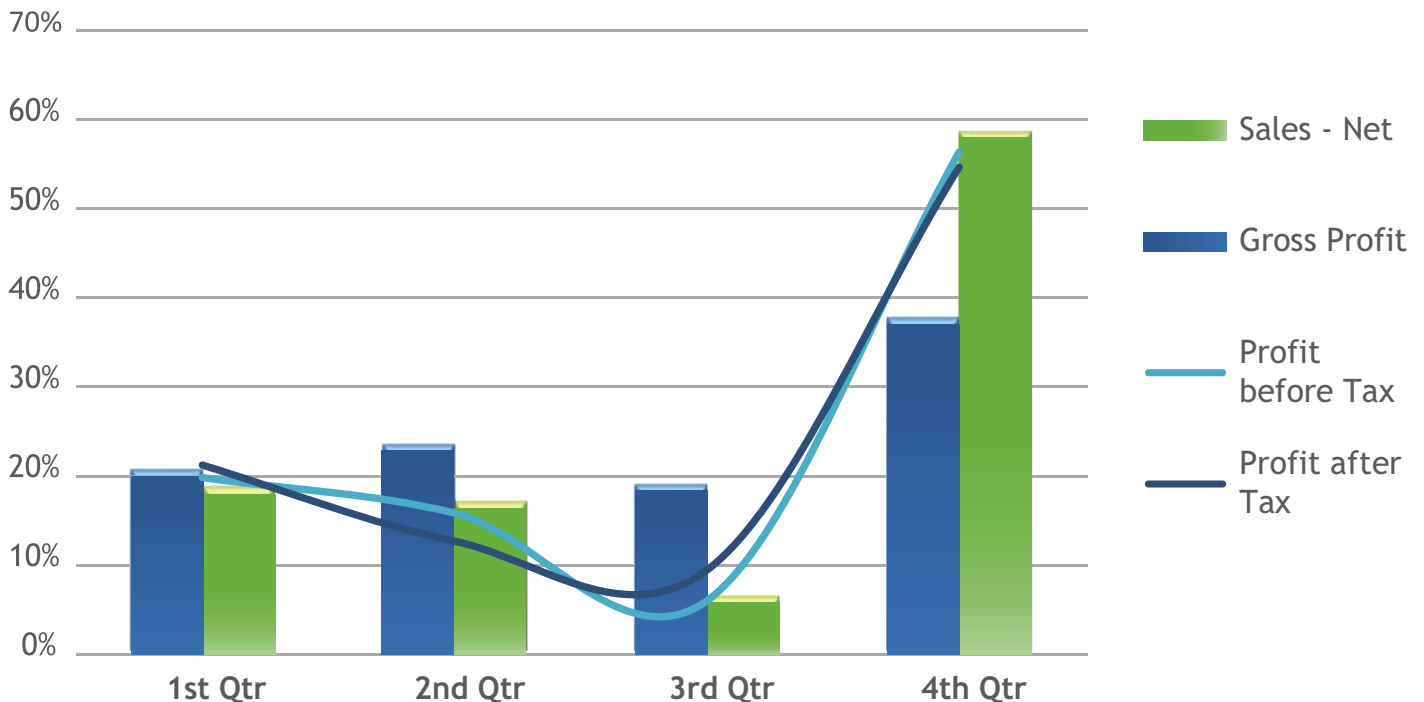
During the year the Human Resources (HR) department was focused on building talent for future through a Performance Measurement System. Key Performance Indicators played an important role in the measurement of progress of the Organization towards attainment of its goals.

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

QUARTERLY PERFORMANCE ANALYSIS

	Sep-22	Dec-22	Mar-23	Jun-23	Total
	(Rupees in thousand)				
Sales - net	1,183,436	1,348,876	1,083,705	2,178,576	5,794,593
Cost of sales	(902,216)	(1,094,033)	(991,894)	(1,288,161)	(4,276,304)
Gross profit	281,220	254,843	91,811	890,415	1,518,289
Administrative expense	(90,373)	(100,784)	(74,981)	(127,881)	(394,019)
Other income	161,715	155,122	159,776	201,778	678,391
Other expenses	(38,614)	(56,433)	(75,439)	(81,556)	(252,042)
Operating profit	313,948	252,748	101,167	882,756	1,550,619
Finance cost	(1,327)	(1,558)	(3,138)	(910)	(6,933)
Profit before taxation	312,621	251,190	98,029	881,846	1,543,686
Taxation	(102,890)	(124,703)	(3,191)	(345,522)	(576,306)
Profit after taxation	209,731	126,487	94,838	536,324	967,380

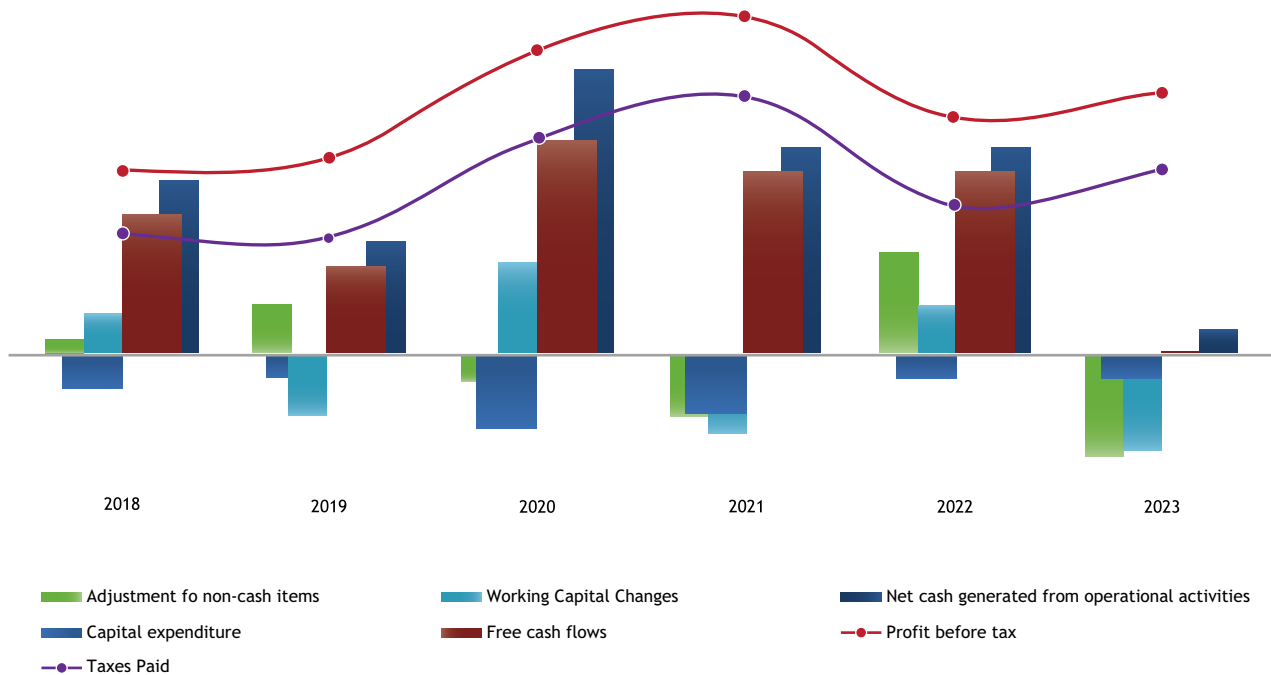
Quarterly Performance



STATEMENT OF FREE CASH FLOW

	2018	2019	2020	2021	2022	2023
	----- (Rupees in thousand) -----					
Profit before tax	1,079,885	1,159,282	1,801,612	1,996,175	1,397,743	1,543,686
Adjustment for non-cash items	76,874	296,483	(146,582)	(347,287)	46,300	(399,357)
Taxes paid	(371,565)	(467,841)	(525,129)	(471,438)	(521,193)	(451,618)
Working capital changes	229,115	(345,963)	530,834	(453,166)	284,542	(556,133)
Net cash generated from operational activities	1,014,309	641,961	1,660,735	724,284	1,207,392	136,578
Capital expenditure	(194,495)	(127,126)	(418,119)	(337,197)	(142,371)	(131,242)
Free cash flows	819,814	514,835	1,242,616	387,087	1,065,021	5,336

Free Cash Flow



STATEMENT OF CASH FLOWS- DIRECT METHOD

	2023	2022
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	5,697,558	6,393,684
Cash paid to suppliers and employees	5,109,362	4,665,099
Cash generated from operations	588,196	1,728,585
Income tax paid	(451,618)	(521,193)
Staff retirement benefits paid	(33,477)	(19,957)
Finance costs paid	(1,411)	(2,058)
Lease deposits paid	(2,712)	(166)
Net cash generated from operating activities	98,978	1,185,211
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(131,242)	(142,371)
Purchase of intangible assets	(795)	(312)
Proceeds from sale of operating fixed assets	3,269	1,858
Investment made during the year	(2,492,604)	(7,306,670)
Investment matured during the year	3,915,586	6,674,851
Dividend received on mutual fund	1,728	1,113
Capital gain realised on Government securities	51,977	-
Mark-up received	445,135	187,329
Net cash generated/(used) in investing activities	1,793,054	(584,202)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease liabilities	(17,519)	(10,519)
Dividend paid	(537,148)	(484,411)
Net cash used in financing activities	(554,667)	(494,930)
Net increase in cash and cash equivalents	1,337,365	106,079
Cash and cash equivalents at beginning of the year	758,182	652,103
Cash and cash equivalents at end of the year*	2,095,547	758,182

* This includes short term investment having maturity of less than three months of Rs 1,691.99 million.

ECONOMIC VALUE ADDED

2023

2022

(Rupees in thousand)

Net operating profit after tax

974,313

953,471

Cost of capital

(1,637,794)

(1,241,285)

Economic value added

(663,481)

(287,814)

Total assets

9,856,286

8,907,967

Current liabilities

(2,145,392)

(1,563,087)

Invested capital

7,710,894

7,344,880

WACC

21.24%

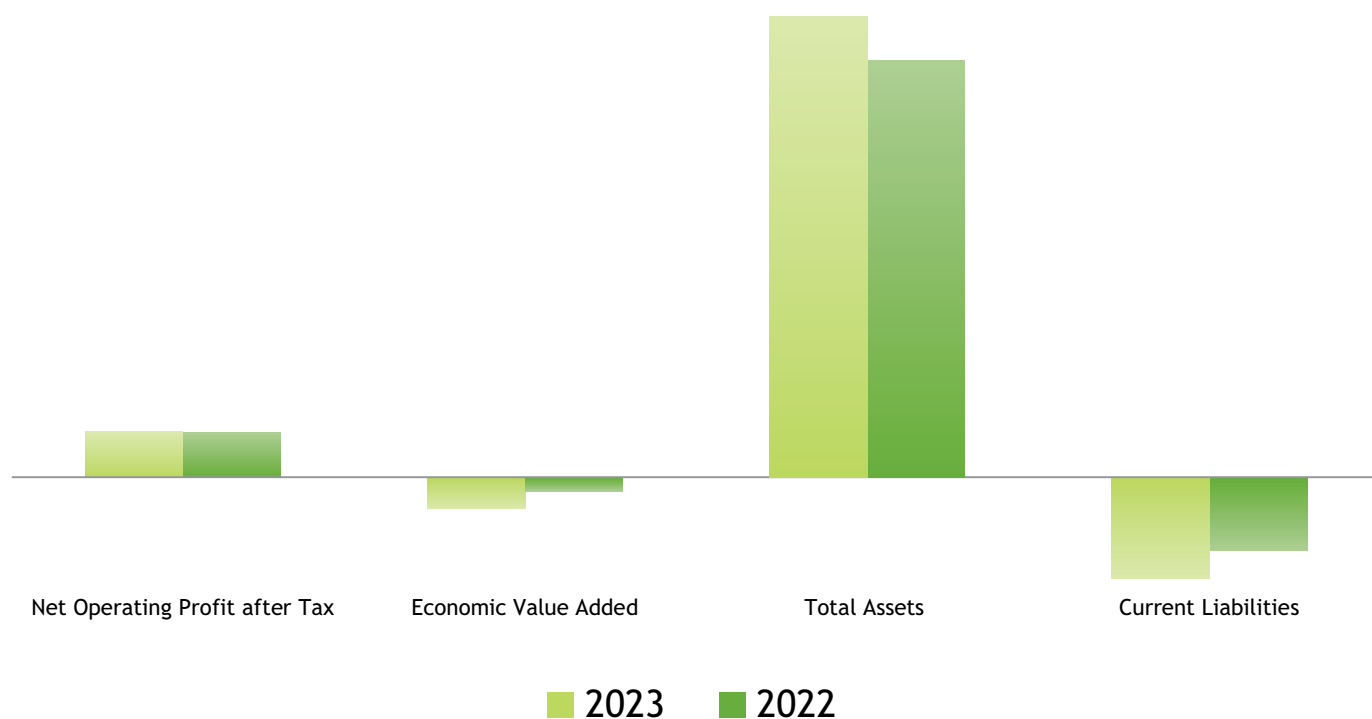
16.90%

Cost of capital

1,637,794

1,241,285

Economic Value Added



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 cogeneration 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 by the Company.

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.

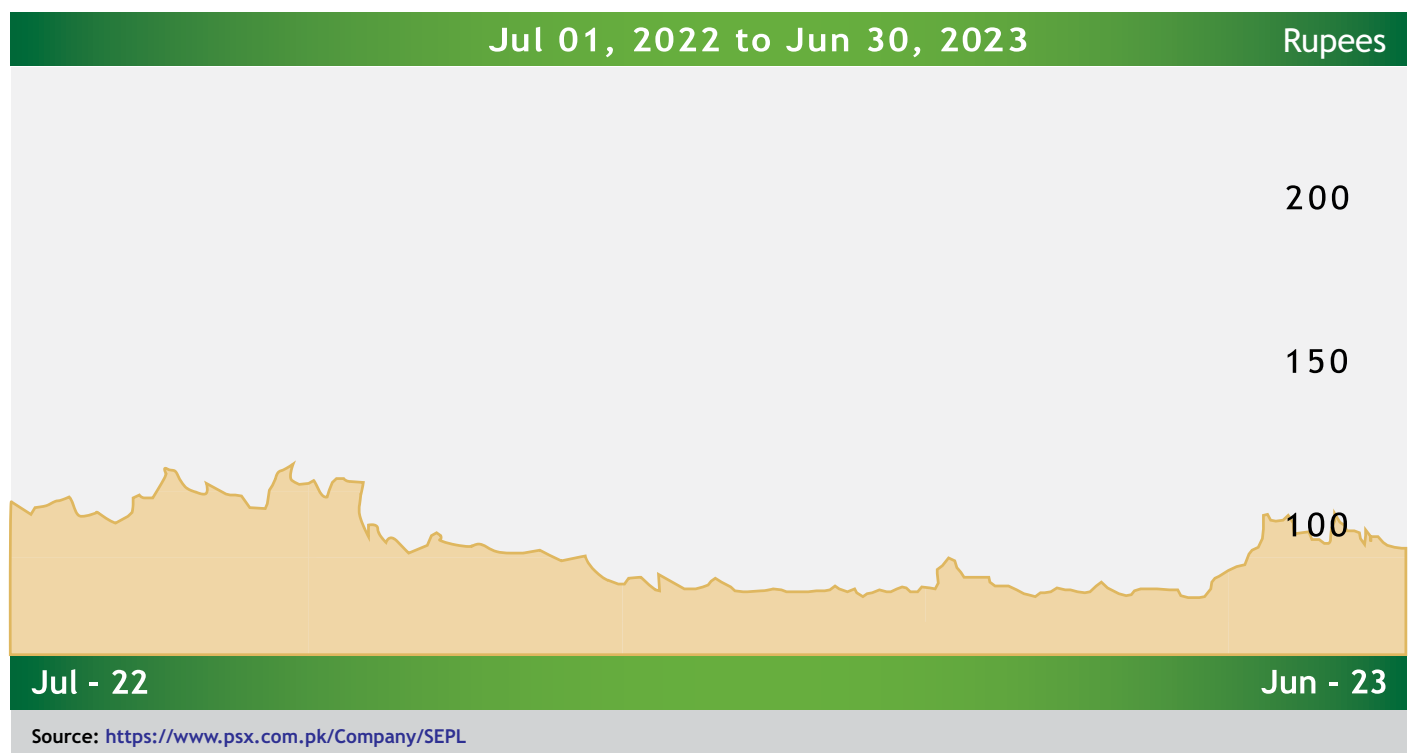
Raw Material Prices

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 is directly influenced by international cotton prices and local crop and hence affects the financial performance of the Company.

Online Payment Solutions

Company's major product is Bank note paper. Introduction of online payment solutions by different players and adoption by the masses would directly affect the requirement of fresh bank notes hence affect the financial performance of the Company.

SEPL Share price History







Financial Statements

- 132 Independent Auditor's Report to the Members on the Financial Statements
- 138 Statement of Financial Position
- 139 Statement of Profit or Loss
- 140 Statement of Comprehensive Income
- 141 Statement of Changes in Equity
- 142 Statement of Cash Flows
- 143 Notes to the Financial Statements



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 37131900, Fax +92 (21) 35685095

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 2023, 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 2023 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. is a Partnership firm registered in Pakistan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee



KPMG Taseer Hadi & Co.

Following is the Key audit matter:

Key audit matter	How the matter was addressed in our audit
<p data-bbox="276 684 754 737">Revenue Recognition: Sales of goods to a related party</p> <p data-bbox="276 768 754 842">Refer to note 21 to the financial statements and the accounting policy in note 3.20 to the financial statements.</p> <p data-bbox="276 863 754 1188">The Company generated net revenue of Rs. 5,795 million (2022: Rs. 5,147 million). Out of the total sales, Rs. 4,665 million which constitutes 80.51% (2022: Rs. 4,417 million i.e. 85.82%) 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 data-bbox="276 1209 754 1388">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 data-bbox="786 768 1313 821">Our audit procedures in respect of recognition of revenue, amongst others, included the following:</p> <ul data-bbox="786 831 1335 1799" style="list-style-type: none"> <li data-bbox="786 831 1335 999">• 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 data-bbox="786 1010 1335 1146">• 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 data-bbox="786 1157 1335 1272">• Testing revenue transactions recorded during the year on a sample basis with sales orders, sales invoices, delivery documents and other relevant underlying documents; <li data-bbox="786 1283 1335 1356">• Reviewing approved agreement with PSPC to understand the nature and terms and conditions of revenue transactions; <li data-bbox="786 1367 1335 1545">• 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 data-bbox="786 1556 1335 1671">• Sent confirmations to customers on sample basis and performed alternate testing on those balances against which we have not received direct responses; and <li data-bbox="786 1682 1335 1799">• Assessing the adequacy of the disclosures in accordance with the requirements of the accounting and reporting standards as applicable in Pakistan.



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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 2023 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 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.



KPMG Taseer Hadi & Co.

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 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.



KPMG Taseer Hadi & Co.

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:

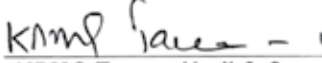
- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together 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
- 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: 3 October 2023

Karachi

UDIN: AR202310106bZSpqRdw


KPMG Taseer Hadi & Co.
Chartered Accountants

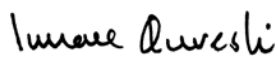


STATEMENT OF FINANCIAL POSITION

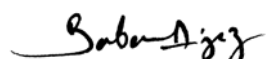
As at 30 June 2023

	Note	2023 (Rupees in '000)	2022 (Rupees in '000)
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,718,372	1,785,402
Right-of-use assets	4.1	33,689	22,194
Intangible assets	5	13,920	15,855
Long-term investments	6	2,903,729	1,180,955
Lease deposits		7,648	4,936
		4,677,358	3,009,342
Current assets			
Stores, spare parts and loose tools	7	211,427	214,612
Stock-in-trade	8	801,049	560,764
Trade debts - considered good	9	1,565,394	837,489
Loans, advances, deposits, prepayments and other receivables	10	92,652	119,887
Interest accrued	11	108,183	30,457
Short term investments	12	1,996,672	3,377,234
Cash and bank balances	13	403,551	758,182
		5,178,928	5,898,625
TOTAL ASSETS		9,856,286	8,907,967
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised share capital 70,000,000 (2022: 70,000,000) ordinary shares of Rs. 10 each		700,000	700,000
Issued, subscribed and paid-up capital 59,255,985 ordinary shares of Rs.10 each	14	592,559	592,559
Revenue reserves			
General reserves		5,951,267	5,594,837
Unappropriated profits		948,176	950,207
		6,899,443	6,545,044
Total shareholders' equity		7,492,002	7,137,603
Non-current liabilities			
Lease Liabilities	15	27,739	16,445
Staff retirement benefits	16	55,410	34,180
Deferred taxation - net	17	135,743	156,652
		218,892	207,277
Current liabilities			
Trade and other payables	18	1,456,635	1,074,998
Accrued mark-up		8	108
Unclaimed dividend		4,510	4,134
Unpaid dividend		459,384	404,348
Current portion of lease liabilities	15	7,513	7,753
Taxation - net		217,342	71,746
		2,145,392	1,563,087
TOTAL LIABILITIES		2,364,284	1,770,364
Contingencies and commitments	20		
TOTAL EQUITY AND LIABILITIES		9,856,286	8,907,967

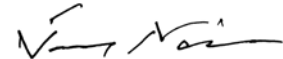
The annexed notes 1 to 40 form an integral part of these financial statements.



Imran Qureshi
Chief Executive Officer



Babar Aijaz
Chief Financial Officer



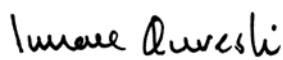
Jamal Nasim
Director

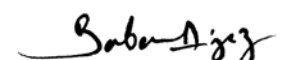
STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2023

	Note	2023 (Rupees in '000)	2022
Sales - net	21	5,794,593	5,147,258
Cost of sales	22	(4,276,304)	(3,497,559)
Gross profit		1,518,289	1,649,699
Administrative expenses	23	(394,019)	(349,673)
Other income	24	678,391	373,994
Other expenses	25	(252,042)	(271,795)
Finance costs	26	(6,933)	(4,482)
Profit before taxation		1,543,686	1,397,743
Taxation - net	27	(576,306)	(448,754)
Profit after taxation		967,380	948,989
Earnings per share - basic and diluted	28	16.33	16.02

The annexed notes 1 to 40 form an integral part of these financial statements.


Imran Qureshi
Chief Executive Officer


Babar Aijaz
Chief Financial Officer

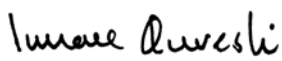

Jamal Nasim
Director

STATEMENT OF COMPREHENSIVE INCOME

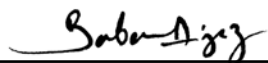
For the year ended 30 June 2023

	Note	2023 (Rupees in '000)	2022
Profit after taxation		967,380	948,989
Other comprehensive income			
Item that will not be reclassified to profit or loss			
Remeasurement (loss)/gain on defined benefit plan	29.1.3	(20,421)	1,218
Total comprehensive income for the year		946,959	950,207

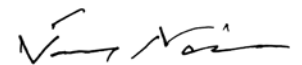
The annexed notes 1 to 40 form an integral part of these financial statements.



Imran Qureshi
Chief Executive Officer



Babar Aijaz
Chief Financial Officer



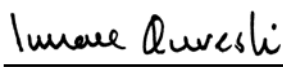
Jamal Nasim
Director

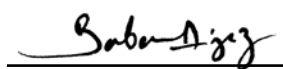
STATEMENT OF CHANGES IN EQUITY

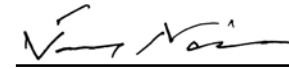
For the year ended 30 June 2023

	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 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
Total comprehensive income for the year ended 30 June 2023					
Profit for the year	-	-	967,380	967,380	967,380
Other comprehensive income	-	-	(20,421)	(20,421)	(20,421)
	-	-	946,959	946,959	946,959
Transactions with owners:					
Final cash dividend @ Rs. 10.00 per ordinary share for the year ended 30 June 2022	-	-	(592,560)	(592,560)	(592,560)
Transfer to general reserves	-	356,430	356,430	-	-
Balance as at 30 June 2023	592,559	5,951,267	948,176	6,899,443	7,492,002

The annexed notes 1 to 40 form an integral part of these financial statements.


Imran Qureshi
Chief Executive Officer


Babar Aijaz
Chief Financial Officer

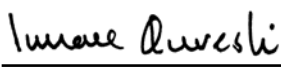

Jamal Nasim
Director

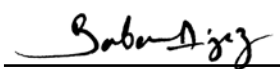
STATEMENT OF CASH FLOWS

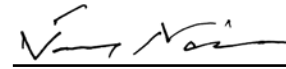
For the year ended 30 June 2023

	Note	2023 (Rupees in '000)	2022
Cash flows from operating activities			
Cash generated from operations	33	588,196	1,728,585
Lease deposits paid		(2,712)	(166)
Taxes paid		(451,618)	(521,193)
Staff retirement benefits paid		(33,477)	(19,957)
Finance costs paid		(1,411)	(2,058)
Net cash generated from operating activities		98,978	1,185,211
Cash flows from investing activities			
Capital expenditure		(131,242)	(142,371)
Acquisition of intangible assets		(795)	(312)
Proceeds from sale of operating fixed assets	4.1.4	3,269	1,858
Investments made during the year		(2,492,604)	(7,306,670)
Investments matured / redeemed during the year		3,915,586	6,674,851
Dividend received on mutual fund		1,728	1,113
Gain received on reversed repo transactions		51,977	-
Mark-up received		445,135	187,329
Net cash generated/(used) in investing activities		1,793,054	(584,202)
Cash flows from financing activities			
Payments of lease liabilities		(17,519)	(10,519)
Dividend paid		(537,148)	(484,411)
Net cash used in financing activities		(554,667)	(494,930)
Net increase in cash and cash equivalents		1,337,365	106,079
Cash and bank balance at beginning of the year		758,182	652,103
Cash and cash equivalents at end of the year	34	2,095,547	758,182

The annexed notes 1 to 40 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 2023

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 are recognised prospectively. Information about judgments made in applying accounting policies that have the most significant effects on the amount recognised 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 2023

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 2023 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 1 July 2023:

- Classification of liabilities as current or non-current (Amendments to IAS 1 in January 2020) apply retrospectively for the annual periods beginning on or after 1 January 2024 (as deferred vide amendments to IAS 1 in October 2022) with earlier application permitted. 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 to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Non-current Liabilities with Covenants (amendment to IAS 1 in October 2022) aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions. The amendment is also intended to address concerns about classifying such a liability as current or non-current. Only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. These amendments also specify the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments to IAS 1 (as referred above).
- 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

- 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 1 January 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 1 January 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 recognise 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 recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised 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 1 January 2023 with earlier application permitted.
- Lease Liability in a Sale and Leaseback (amendment to IFRS 16 in September 2022) adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements to be accounted for as a sale. The amendment confirms that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted. Under IAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16 and will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments. If an entity (a seller-lessee) applies the amendments arising from Lease Liability in a Sale and Leaseback for an earlier period, the entity shall disclose that fact.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) amend accounting treatment on loss of control of business or assets. The amendments also introduce new 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

- Supplier Finance Arrangements (amendments to IAS 7 and IFRS 7) introduce two new disclosure objectives for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk. Under the amendments, companies also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement. The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in IFRS 7 on factors a company might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities. The amendments are effective for periods beginning on or after 1 January 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available.
 - International Tax Reform - Pillar Two Model Rules (amendments to IAS 12) introduce following new disclosure requirements:
 - Once tax law is enacted but before top-up tax is effective:
 - Disclose information that is known or can be reasonably estimated and that helps users of its financial statements to understand its exposure to Pillar Two income taxes at the reporting date. If information is not known or cannot be reasonably estimated at the reporting date, then a company discloses a statement to that effect and information about its progress in assessing the Pillar Two exposure.
 - After top-up tax is effective: disclose current tax expense related to top-up tax.

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 4.1 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

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 amortisation and impairment losses, if any however, Intangible assets having indefinite life are stated at cost less impairment losses, if any.

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.

Amortisation 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. Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalized while no amortisation 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 amortised 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

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 recognised in the statement of profit or loss. Other net gains and losses are recognised in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss.
Equity Investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised 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 recognised in other comprehensive income and are never reclassified to the statement of profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest at markup or dividend income, are recognised in statement of profit or loss
Financial assets measured at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss.

3.5 Investments

- Investments in Pakistan Investment Bond (PIBs) and treasury bills are classified at amortised 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 amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, losses and impairment are recognised 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 recognised in the statement of profit or loss.

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

- These are classified at amortised 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

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, 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 derecognised 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 amortised 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 recognised in the statement of profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

Financial liabilities are derecognised 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 recognised initially at fair value plus directly attributable cost, if any, and measured at amortised cost.

3.11 Mark-up bearing borrowings and borrowing costs

Mark-up bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

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.

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 recognised 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 recognises 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 recognise right-of-use assets and lease liabilities for some leases of low value assets. The lease payments associated with these leases are recognised 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 2023

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 recognised on the Company's statement of financial position and payments made under Ijarah financing are recognised 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 recognised 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.

Deferred tax liabilities are recognised for all taxable temporary differences. A deferred tax asset is recognised 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

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 recognised 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

		2023	2022
	Note	(Rupees in'000)	
Operating fixed assets	4.1	1,624,885	1,749,553
Capital work-in-progress	4.2	93,487	35,849
		<u>1,718,372</u>	<u>1,785,402</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

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

	2023													
	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	Total	Right of use assets (note 3.18)
Lease-hold	Free-hold	Lease-hold Land	Free-hold Land											
(Rupees in '000)														
At 1 July 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)
Opening 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
During The Year														
Additions	-	-	-	-	9,143	25,429	14,967	600	6,577	8,855	3,279	26	68,876	23,971
Transfers From CWIP	-	-	-	-	933	-	-	-	3,795	-	-	-	4,728	-
	-	-	-	-	10,076	25,429	14,967	600	10,372	8,855	3,279	26	73,604	23,971
Transferred From Right Of Use Asset To Owned														
Cost	-	-	-	-	-	-	-	-	-	-	-	6,822	6,822	(6,822)
Depreciation	-	-	-	-	-	-	-	-	-	-	-	(6,571)	(6,571)	6,571
	-	-	-	-	-	-	-	-	-	-	-	251	251	(251)
Disposals														
Cost	-	-	-	-	-	-	-	-	-	-	-	(135)	(135)	(8,171)
Depreciation	-	-	-	-	-	-	-	-	-	-	-	117	117	6,467
	-	-	-	-	-	-	-	-	-	-	-	(18)	(18)	(1,704)
Depreciation Charge for The Year														
	-	-	-	(7,588)	(140,173)	(13,669)	(3,323)	(976)	(19,665)	(8,304)	(3,865)	(942)	(198,505)	(10,521)
Closing Net Book Value	417	293	3	167,716	1,143,341	35,762	26,458	8,273	193,089	39,866	7,635	2,032	1,624,885	33,689
At 30 June 2023														
Cost	417	293	1,015	239,933	3,793,673	142,156	69,101	18,149	372,500	102,533	32,879	20,153	4,792,802	50,626
Accumulated Depreciation	-	-	(1,012)	(72,217)	(2,650,332)	(106,394)	(42,643)	(9,876)	(179,411)	(62,667)	(25,244)	(18,121)	(3,167,917)	(16,937)
Closing Net Book Value	417	293	3	167,716	1,143,341	35,762	26,458	8,273	193,089	39,866	7,635	2,032	1,624,885	33,689
Depreciation Rate % per annum	-	-	20%	2.5% - 33.33%	6% - 50%	25%	8% - 50%	6%	6% - 50%	15%	25%	20%		20%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

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

	2022													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	Total		
(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	
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%	2.5% - 33.33%	6% - 50%	25%	8% - 50%	6%	6% - 50%	15%	25%	20%		20%	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

	Note	2023 (Rupees in '000)	2022
4.1.1 The depreciation charge for the year has been allocated as follows:			
Cost of sales	22	198,676	216,660
Administrative expenses	23	10,350	12,987
		<u>209,026</u>	<u>229,647</u>

4.1.2 Operating fixed assets include assets costing Rs. 671.272 million (2022: Rs. 596.819 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) -----								
Vehicles								
Honda Civic		3,953	2,701	1,252	2,081	829	Company's policy	Dr. M. Ashraf Butt (Ex-employee)
Others	4.1.4.1	4,353	3,884	469	1,188	719	Various	Various
2023		<u>8,306</u>	<u>6,585</u>	<u>1,721</u>	<u>3,269</u>	<u>1,548</u>		
2022		<u>5,567</u>	<u>4,545</u>	<u>1,022</u>	<u>1,858</u>	<u>836</u>		

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

	2023 (Rupees in '000)	2022
4.2 Capital work-in-progress		
Building	59,650	31,152
Plant and machinery	19,520	4,563
Electrical installation	1,426	134
Water Installation	9,546	-
Security equipment	158	-
Vehicle	3,187	-
	<u>93,487</u>	<u>35,849</u>
The movement in capital work-in-progress is as follows:		
Balance at the beginning of the year	35,849	155,965
Additions made during the year:		
- Plant and machinery	15,889	17,494
- Building	28,500	31,330
- Water installation	9,546	-
- Electrical installation	5,086	4,900
- Vehicle	3,187	-
- Security equipment	158	-
	<u>62,366</u>	<u>53,724</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

	2023	2022
Note	(Rupees in '000)	
Transfer to operating fixed assets:		
- Plant and machinery	(933)	(145,688)
- Building	-	(5,306)
- Electrical installation	(3,795)	(19,126)
- Security equipment	-	(345)
	(4,728)	(170,465)
Transfer to right of use assets:		
- Vehicle	-	(3,375)
Balance at the end of the year	93,487	35,849
5. INTANGIBLE ASSETS		
Net book value as at 1 July	15,855	18,133
Additions	795	312
Amortisation	23 (2,730)	(2,590)
Net book value as at 30 June	13,920	15,855
Gross carrying value as at 30 June		
Cost	23,905	23,110
Accumulated amortisation	(9,985)	(7,255)
Net book value	13,920	15,855
Amortisation rate (% per annum)	10% - 50%	10% - 50%
6. LONG-TERM INVESTMENTS		
Amortised cost		
Pakistan Investment Bonds (PIBs)	6.1 3,190,381	1,319,659
Less: PIBs with current maturity	12 (286,652)	(138,704)
	2,903,729	1,180,955

6.1 These represents investments in Pakistan Investment Bonds (PIBs) carrying floating and fixed profit at the rate ranging from 12.92% to 22.75% (2022: 11.54% to 15.45%) with maturities in October 2023, September 2024, August 2025, April 2027, May 2028, June 2028, August 2028 and December 2030 (2022: June 2023, 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 2023

	Note	2023 (Rupees in '000)	2022
7. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		16,688	17,249
Spares - in hand		198,107	187,003
- in transit		7,085	20,793
Loose tools		790	810
		<u>222,670</u>	<u>225,855</u>
Provision for slow moving stores, spare parts and loose tools	7.1	(11,243)	(11,243)
		<u>211,427</u>	<u>214,612</u>
7.1 Provision for slow moving stores, spare parts and loose tools			
Opening balance		11,243	10,900
Provision made during the year	22	-	343
		<u>11,243</u>	<u>11,243</u>
8. STOCK-IN-TRADE			
Raw materials - in hand		591,572	453,892
- in transit		823	2,754
	22	<u>592,395</u>	<u>456,646</u>
Raw material written off	22	(354)	(130)
Raw materials Written back	22	1,039	-
Provision for slow moving raw materials	8.1	(5,063)	(5,063)
Work-in-process	22	173,454	74,155
Finished goods	22	41,683	37,261
Provision for slow moving finished goods	8.2	(2,105)	(2,105)
		<u>39,578</u>	<u>35,156</u>
		<u>801,049</u>	<u>560,764</u>
8.1 Provision for slow moving raw materials			
As at 30 June		<u>5,063</u>	<u>5,063</u>
8.2 Provision for slow moving finished goods			
As at 30, June		<u>2,105</u>	<u>2,105</u>
9. TRADE DEBTS - considered good			
Unsecured - considered good			
Due from Pakistan Security Printing Corporation (Pvt.) Limited - related party	9.1&9.2	1,430,748	586,551
Due from others		134,646	250,938
		<u>1,565,394</u>	<u>837,489</u>

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.1,430.75 million (2022: Rs. 805.644 million).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

	2023	2022
Note	(Rupees in '000)	
9.2		
The aging of trade debts due from related party as at 30 June is as follows:		
Neither past due nor impaired	1,101,338	586,551
Past due but not impaired		
31-60 Days	329,410	-
9.3	<u>1,430,748</u>	<u>586,551</u>
9.3		
The amount has been Subsequently received by 25 August 2023		
10. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Advance to suppliers - unsecured, considered good	43,974	36,160
Short-term prepayments	4,876	1,707
Short-term deposits	3,692	1,989
LCs margin	-	46,194
Utilities deposits	12,178	12,178
Loan to employees - considered good	-	185
Workers' profit participation fund	-	15,340
Income tax	5,360	5,360
Others	22,572	774
	<u>92,652</u>	<u>119,887</u>
10.1		
This represents interest free deposits held with service providers and against letter of credits issued by a commercial bank.		
	2023	2022
Note	(Rupees in '000)	
10.2 Workers' profit participation fund		
Balance as at 1 July	15,340	(6,801)
Allocation for the year	(82,992)	(74,965)
Paid during the year - net	64,660	97,106
	<u>(2,992)</u>	<u>15,340</u>
11. INTEREST ACCRUED		
Pakistan Investment Bonds (PIBs)	108,097	30,442
Deposit and saving accounts	86	15
	<u>108,183</u>	<u>30,457</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

		2023	2022
	Note	(Rupees in '000)	
12. SHORT TERM INVESTMENTS			
Amortised cost			
Government securities - T Bills		-	2,436,276
Reverse repo transaction	12.1	1,710,020	-
Pakistan Investment Bonds - current maturity	12.2	286,652	138,704
Fair value through profit or loss - FVTPL			
Units of mutual funds	12.3	-	802,254
		<u>1,996,672</u>	<u>3,377,234</u>

12.1 This represents reverse repo transaction carrying profit ranging from 21.11% to 21.43% (2022: Nil).

12.2 These represent investments in 3 years Pakistan Investment Bonds (PIBs) carrying floating profit at the rate of 13.19% to 21.98% (30 June 2022: 10.54% to 14.61%) with maturities in October 2023. The profit payments are made quarterly and semi-annually.

12.3 Investments in units of mutual funds are as follows:

2023	2022	Name of Investee Company	2023	2022
(Units)			(Rupees in '000)	
			Note	
-	44,524,829	NBP Islamic Stock Fund	-	472,226
-	5,191,107	Meezan Islamic Fund	-	291,904
-	4,938,442	NIT Islamic Equity Fund	-	38,124
<u>-</u>	<u>54,654,378</u>		<u>-</u>	<u>802,254</u>

12.4 During the year dividend was received on NIT Islamic Equity Fund of Rs. 1.728 million which was reinvested for additional 199,347 units and later redeemed.

13. CASH AND BANK BALANCES

Cash in hand		72	39
With banks:			
- Current accounts		167	285
- Deposit accounts	13.1	38,707	477,428
- Saving accounts	13.2	364,605	280,430
		<u>403,479</u>	758,143
		<u>403,551</u>	<u>758,182</u>

13.1 Deposit account carry profit rate at 12.25% to 20.5% (2022: 12.25% to 13%)

13.2 Saving accounts carry profit rates ranging from 10% to 19.25% per annum (2022: 6.50% to 12.25% per annum).

14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2023	2022		2023	2022
(Number of shares)			(Rupees in '000)	
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	580,059	580,059
<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 2023

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

Name of related party	2023		2022	
	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	2023	2022
		(Rupees in '000)	
As at 1 July		24,198	26,686
Additions		23,151	6,143
Interest expense relating to lease liabilities	26	5,422	2,345
Payments		(15,117)	(10,519)
Disposals		(2,402)	(457)
As at June 30		<u>35,252</u>	<u>24,198</u>
Current		7,513	7,753
Non-current		27,739	16,445
		<u>35,252</u>	<u>24,198</u>

15.1 Maturity analysis of lease liabilities

	2023			2022		
	Minimum lease payments	Finance charge	Present value of minimum lease payments	Minimum lease payments	Finance charge	Present value of minimum lease payments
Not later than one year	13,529	6,016	7,513	9,594	1,841	7,753
Later than one year and not later than five years	36,004	8,265	27,739	18,421	1,976	16,445
	<u>49,533</u>	<u>14,281</u>	<u>35,252</u>	<u>28,015</u>	<u>3,817</u>	<u>24,198</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 December 2027 in monthly instalments and is subject to annual finance charge rates ranging from 18.26% to 23.39% (2022: 11.99% to 16.43%). 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 2023, the Company has auto lease finance facility from Bank Al-Habib Limited amounting to Rs. 50 million (2022: Rs. 50 million)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

	Note	2023 (Rupees in '000)	2022
16. STAFF RETIREMENT BENEFITS			
Employee's Retirement Benefit (Funded Scheme)	29.1.2	53,352	25,256
Contractual Staff Retirement Benefit (Unfunded Scheme)	16.1	2,058	8,924
		<u>55,410</u>	<u>34,180</u>

16.1 This represents retirement benefits to the Company Secretary (June 2022: Chief Executive Officer, Company Secretary and Head of Internal Audit of the Company) under employment terms.

17. DEFERRED TAXATION - Net

	Note	2023 (Rupees in '000)	2022
Deferred tax liabilities on taxable temporary differences:			
Accelerated tax depreciation		292,666	225,786
Deferred tax asset on deductible temporary differences:			
Provision for slow moving inventory, unfunded terminal benefits and fire tax		(23,911)	(20,096)
Amortisation of Pakistan Investment Bond (PIBs)		9,374	1,518
Loss on redemption of mutual funds		(141,803)	(49,922)
Leased liability net of leased assets		(583)	(634)
		<u>(156,923)</u>	<u>(69,134)</u>
		<u>135,743</u>	<u>156,652</u>

18. TRADE AND OTHER PAYABLES

Creditors		257,319	110,071
Payable against purchase of operating fixed assets		73,031	46,023
Salaries, wages and benefits payable	18.1	74,960	80,683
Accrued employees' compensated absences	18.2	74,040	71,573
Retention money Payable		3,434	7,266
Withholding tax payable		99,170	83,601
Sales tax payable		117,862	44,692
Provision for fire tax	18.3	37,023	37,023
Workers' welfare fund	18.4	45,878	39,098
Utilities		43,402	39,340
Payable to a related party	18.5	42,365	71,638
Deposits	18.6	12,613	11,413
Payable to contractors		43,881	29,155
Payable to workers' profit participation fund	10.2	2,992	-
Contract liabilities	18.7	510,190	390,482
Others		18,475	12,940
		<u>1,456,635</u>	<u>1,074,998</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

18.1 Includes herein bonus payables amounting to Rs. 57.011 million (2022: Rs. 63.426 million).

18.2 Accrued employees' compensated absences

	Note	2023 (Rupees in '000)	2022
Balance at beginning of the year		71,573	71,301
Charge for the year - Net		2,467	272
Balance at end of the year		<u>74,040</u>	<u>71,573</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	2023 (Rupees in '000)	2022
Balance as at 1 July		39,098	46,263
Provision for the year	25	32,615	25,835
Prior year charge	25	539	-
Payments during the year		(26,374)	(33,000)
Balance as at 30 June		<u>45,878</u>	<u>39,098</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. 0.071 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 ballot paper for financial year 2023-2024.

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 (2022: Rs. 200 million). The arrangement from BAHL is secured by lien over PIBs of Rs. 400 million. The outstanding balance amounted to Rs.Nil (2022: Rs.Nil) 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 2023.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

The Company has running finance facility from National Bank of Pakistan (NBP) amounting to Rs.100 million (2022: Rs 100 million). The arrangement from NBP is secured by first pair 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 2023. 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 (2022: one month's Karachi Inter Bank Offered Rate (KIBOR) plus 1.25 basis points). The facility remained unutilised as at 30 June 2023.

19.2 Running Musharakah

The Company has arrangement of running musharka facility of Rs. 200 million from Meezan Bank Limited (2022: 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 2023. 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 musharka 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 2023.

20. CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

	Note	2023 (Rupees in '000)	2022
Claims against the Company not acknowledged as debt	20.1.1	<u>1,120</u>	<u>1,120</u>
Sales Tax on Services	20.1.2	<u>4,163</u>	<u>4,163</u>
Income Tax Demand	27.3	<u>8,237</u>	<u>8,237</u>
Claim by Contractor	20.1.3	<u>177,880</u>	<u>177,880</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

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 The Suit No 814 and 815 have been filed by two employees of the Company seeking declaration against their suspension followed by termination of employment and an injunction against the termination and inquiry being conducted. The Court as an interim measure has suspended the inquiry being conducted against them as well as their suspension and termination, as of today they remain employees of the Company. The Company is contesting these cases and the matter is currently at the stage of hearing of applications.

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

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

	Note	2023 (Rupees in '000)	2022
20.2 Commitments			
Ijarah financing	20.2.1	<u>24,797</u>	<u>4,707</u>
Commitments against letters of credit	20.2.2	<u>217,937</u>	<u>245,375</u>
Capital expenditure contracted for but not incurred		<u>25,443</u>	<u>39,506</u>

20.2.1 The Company has car ijarah facility from the Meezan Bank Limited amounting to Rs. 50 million (2022: Rs. 50 million) out of which Rs. 24.797 million (2022: Rs. 4.707 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:

	2023 (Rupees in '000)	2022
Not later than one year	<u>5,749</u>	1,265
Later than one year and not later than five years	<u>19,048</u>	3,442
	<u>24,797</u>	<u>4,707</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

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 (2022: Rs. 100 million). The arrangement from National Bank of Pakistan is secured by lien on documents of title of goods drawn under letter of credit. The Company has utilised Rs. Nil as at 30 June 2023.

The Company has facilities from the Bank Al Habib Limited (BAHL) relating to import letters of credit (sight / usance) amounting to Rs. 200 million (2022: Rs. 200 million). Besides, Rs 100 million (2022: Rs. 100 million) 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. 217.937 million as at 30 June 2023.

The Musharka 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. 25.463 million as at 30 June 2023.

20.2.3 Letter of Guarantee Facility

As at 30 June 2023, the Company has facilities from National Bank of Pakistan, as sub-limit of running finance facility and from Bank Al Habib Limited relating to letters of guarantee as follows:

	2023		2022	
	National Bank of Pakistan	Bank Al Habib Limited	National Bank of Pakistan	Bank Al Habib Limited
	----- (Rupees in '000) -----			
Total facility available	<u>100,000</u>	<u>30,000</u>	<u>100,000</u>	<u>30,000</u>
Utilised facility	<u>64,087</u>	<u>19,287</u>	<u>64,087</u>	<u>19,287</u>

20.2.4 The Company has also secured a one time advance payment Bank Guarantee facility for Rs. 508.599 million (2022: Nil) in favour of Election Commission of Pakistan against 100% advance payment received. The guarantee has been issued against PIB/T- bills of Rs. 509 million and counter guarantees.

Note	2023 (Rupees in '000)	2022
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21. SALES - NET

	Note	2023 (Rupees in '000)	2022
Banknote paper		5,483,890	5,031,987
Non-banknote paper:			
- Commercial paper		16,503	38,338
- Others		1,307,345	952,059
		<u>1,323,848</u>	990,397
	21.1	<u>6,807,738</u>	6,022,384
Sales tax		<u>(1,013,145)</u>	(875,126)
		<u>5,794,593</u>	<u>5,147,258</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

21.1 Out of the above sales, the sales amounting to Rs. 5,483.89 million include sales tax of Rs. 818.88 million is made to Pakistan Security Printing Corporation (Private) Limited (PSPC), a related party. (2022: Rs. 5,167.763 million include sales tax of Rs. 750.87 million).

	Note	2023 (Rupees in '000)	2022
22. COST OF SALES			
Opening stock of raw materials		456,646	387,045
Add: Purchases - net		<u>2,888,816</u>	<u>1,959,457</u>
		3,345,462	2,346,502
Closing stock of raw materials	8	<u>(592,395)</u>	<u>(456,646)</u>
Raw materials consumed		2,753,067	1,889,856
Salaries, wages and benefits	22.1	461,392	390,332
Utilities		445,358	390,747
Depreciation	4.1.1	198,676	216,660
Manufacturing services		225,153	232,027
Stores, spares and loose tools consumed		146,385	177,486
Defence security force		52,125	50,387
Repairs and maintenance		59,575	49,432
Insurance		8,409	9,562
Rent, rates and taxes		894	973
Raw material written off	8	354	130
Raw materials written back	8	(1,039)	-
Provision for slow moving Stores, spares & loose tools	7.1	-	343
Other expenses		<u>29,676</u>	<u>26,996</u>
		4,380,025	3,434,931
Opening stock of work-in-process		74,155	149,263
Closing stock of work-in-process	8	<u>(173,454)</u>	<u>(74,155)</u>
Cost of goods manufactured		4,280,726	3,510,039
Opening stock of finished goods		37,261	24,781
Closing stock of finished goods	8	<u>(41,683)</u>	<u>(37,261)</u>
		<u>4,276,304</u>	<u>3,497,559</u>

22.1 Salaries, wages and benefits include Rs. 40.429 million (2022: Rs. 34.123 million) in respect of employee retirement benefits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

	Note	2023 (Rupees in '000)	2022
23. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	23.1	292,821	273,390
Repairs and maintenance		17,072	10,308
Depreciation	4.1.1	10,350	12,987
Legal and professional		17,764	10,804
Travelling expenses	23.2	8,344	7,391
Printing and stationery		5,600	4,350
Advertisement		4,071	3,531
Packing and forwarding		2,985	3,749
Training		642	1,416
Communication		2,994	2,114
Entertainment		2,159	1,724
Rent, rates and taxes		1,700	1,070
Lease rentals		1,804	1,316
Amortisation of intangible assets	5	2,730	2,590
Others		22,983	12,933
		394,019	349,673

23.1 Salaries, wages and benefits include Rs. 19.608 million (2022: Rs. 18.188 million) in respect of employee retirement benefits.

23.2 Travelling expense includes directors travelling expense amounting to Rs. 3.540 million (2022: Rs. 2.253 million).

	Note	2023 (Rupees in '000)	2022
24. OTHER INCOME			
Income from financial assets			
Amortisation of discount on Pakistan Investment Bond		18,573	2,960
Dividend income on mutual fund		1,728	1,113
Mark-up on:			
- Pakistan Investment Bonds		416,830	127,503
- Bank deposits and savings accounts		106,030	51,866
- Treasury bills		52,640	176,822
- Term deposit receipts		-	7,332
- Income from reverse repo transactions		70,003	-
- Loan to employees		2	18
		665,806	367,614
Income from non-financial assets			
Gain on sale of property, plant and equipment	4.1.4	1,548	836
Sale of waste materials		10,861	5,135
Others		176	409
		12,585	6,380
		678,391	373,994

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

		2023	2022
	Note	(Rupees in '000)	
25. OTHER EXPENSES			
Workers' profit participation fund	10.2	82,992	74,965
Workers' welfare fund	18.4	33,154	25,835
Corporate Social Responsibility	25.1	10,542	10,609
Exchange loss		107,298	11,036
Loss on redemption of investment in mutual funds		16,061	5,975
Loss on re-measurement of investment in mutual funds		-	141,543
Auditors' remuneration	25.2	1,995	1,832
		<u>252,042</u>	<u>271,795</u>

25.1 During the year, the Company has made following CSR activities exceeding Rs. 1 million (2022: Rs. 1 million):

		2023	2022
	Note	(Rupees in '000)	
Name of Donee			
Prime Minister's Flood Relief Fund' 2022		5,000	-
Help Line		1,212	-
Indus Hospital		3,875	-
The Citizens Foundation		-	1,100
DHU Skardu Hospital		-	3,315
Earth quake Victims - Baluchistan		-	1,890
Hunar Foundation		-	3,000

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	1,153	1,088
Review of half yearly financial statements	220	193
Special certification, Code of Corporate Governance and other services	290	271
Out of pocket expenses	332	280
	<u>1,995</u>	<u>1,832</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

	Note	2023 (Rupees in '000)	2022
26. FINANCE COSTS			
Interest / mark-up on:			
- finance leases	15	5,422	2,345
- short-term finance		179	131
- Workers' profit participation fund		-	762
Bank charges		1,332	1,244
		<u>6,933</u>	<u>4,482</u>
27. TAXATION - Net			
Current			
- for the year		600,471	480,745
- prior year		(3,257)	(413)
		<u>597,214</u>	<u>480,332</u>
Deferred		(20,908)	(31,578)
		<u>576,306</u>	<u>448,754</u>
27.1 Reconciliation between tax expense and accounting profit			
Accounting profit before taxation		<u>1,543,686</u>	<u>1,397,743</u>
Tax on accounting profit at 29% (2022: 29%)		447,669	405,345
Super Tax under section 4C 10% (2022: 4%)		154,369	64,355
Impact of change in tax rate		31,295	-
Unrealised loss on mutual fund subject to lower tax rate		-	23,355
Tax at reduced rate		(242)	(42,761)
Tax effect of permanent differences		(53,469)	1,435
Tax effect of prior year		(3,257)	(413)
Remeasurement gain on employee benefits		-	353
Others		(59)	(2,915)
		<u>576,306</u>	<u>448,754</u>
Effective rate of tax		<u>37.33%</u>	<u>32.11%</u>

27.2 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

The income tax assessments of the Company have been finalised up to and including tax year 2022. 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 Honorable 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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

- (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 had submitted the information on required format. However, till to date no order has been passed by the tax department.
- (g) The Company had e-filed 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). DC(Audit) under rule 44(4) of Income Tax Rules, 2002 had issued a notice dated April 27, 2023 for monitoring of withholding taxes. Company in compliance with said notice is submitting the information on required format.
- (h) The Company had e-filed return of income for the tax year 2021 on the web-portal of FBR on December 24, 2021. 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 27, 2023 for monitoring of withholding taxes. Company in compliance with said notice is submitting the information on required format.
- (i) The Company had e-filed return of income for the tax year 2022 on the web-portal of FBR on December 31, 2022. 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 27, 2023 for monitoring of withholding taxes. Company in compliance with said notice is submitting the information on required format.
- 27.3** (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 2023

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 had filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) to the extent of the apportionment of common expenses to FTR and NTR incomes. However, hearing of the main appeal has not been fixed yet.

- (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 had filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) to the extent of the apportionment of common expenses to FTR and NTR incomes. However, hearing of the main appeal has not been fixed yet.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

28. EARNINGS PER SHARE - Basic and Diluted

	Note	2023 (Rupees in '000)	2022 (Rupees in '000)
Profit after taxation		<u>967,380</u>	<u>948,989</u>
		(Number of shares)	
Weighted average number of ordinary shares	14	<u>59,255,985</u>	<u>59,255,985</u>
		(Rupees)	
Earnings per share - basic and diluted		<u>16.33</u>	<u>16.02</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 2023. The projected unit credit method, using the following significant assumptions has been used for the actuarial valuations.

29.1.1 Actuarial assumptions

	2023	2022
a) Discount rate	15.75%	13.25%
b) Salary Increase Rate	14.75%	13.25%
c) Interest Credit Rate	14.75%	13.25%
d) Expected return on plan assets	14.75%	13.25%

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

	Note	2023 (Rupees in '000)	2022 (Rupees in '000)
Present value of defined benefit obligations	29.1.4	401,142	355,242
Fair value of plan assets	29.1.5	(347,790)	(329,986)
Liability as at 30 June		<u>53,352</u>	<u>25,256</u>

29.1.3 Movement in net liability recognised:

Opening net liability		25,256	19,682
Expense recognised during the year	29.1.6	32,531	26,749
Remeasurement loss / (gain) recognised in OCI		20,421	(1,218)
Contributions and benefits paid on behalf of the fund		(24,857)	(19,957)
Closing net liability		<u>53,352</u>	<u>25,256</u>

29.1.4 Movement in present value of defined benefit obligations

Opening present value of obligation		355,242	329,649
Current service cost		16,330	15,450
Interest cost		16,201	11,299
Benefits paid		(30,810)	(27,505)
Remeasurement loss / (gain) on obligation		10,070	(4,270)
Income distributed among the members		34,109	30,619
Closing present value of obligation		<u>401,142</u>	<u>355,242</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

	Note	2023 (Rupees in '000)	2022			
29.1.5 Movement in the fair value of plan assets						
Opening fair value of plan assets		329,986	309,967			
Expected return on plan assets		34,109	30,619			
Remeasurement loss on plan assets		(10,352)	(3,052)			
Benefits paid		(30,810)	(27,505)			
Contribution by the Company		24,857	19,957			
Closing fair value of plan assets		<u>347,790</u>	<u>329,986</u>			
29.1.6 Expense recognised in the statement of profit or loss						
Current service cost		16,330	15,450			
Net Interest cost		(17,908)	(19,320)			
Income distributed among members		34,109	30,619			
Cost for the year		<u>32,531</u>	<u>26,749</u>			
29.1.7 Return on plan assets is as follows:						
Expected return on plan assets		<u>34,109</u>	<u>30,619</u>			
29.1.8 Plan assets comprised of following						
		2023	2022			
Regular Income Certificates (RICs)		33%	35%			
Special Saving Certificates (SSCs)		0%	15%			
Pakistan Investment Bonds (PIBs)		44%	46%			
Treasury Bills (T-bills)		18%	2%			
Bank account and short-term deposits		5%	2%			
		<u>100%</u>	<u>100%</u>			
29.1.9 Deficit on the plan assets						
		2023	2022	2021	2020	2019
----- (Rupees in '000) -----						
Present value of defined benefit obligation		(401,142)	(355,242)	(329,649)	(350,738)	(328,939)
Fair value of plan assets		347,790	329,986	309,967	324,666	305,135
Deficit		<u>(53,352)</u>	<u>(25,256)</u>	<u>(19,682)</u>	<u>(26,072)</u>	<u>(23,804)</u>
29.1.10 5 years data on experience adjustments						
(Gain) / loss on obligation		10,070	(4,270)	(8,982)	(9,121)	(62,484)
Loss / (gain) on plan assets		10,351	3,052	3,089	(4,196)	(68,668)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

29.1.11 The investment income of the fund is distributed among the members of the fund. Accordingly, expected return on plan assets has not been taken in the gratuity cost for the year ended 30 June 2023.

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.

	2023	2022
	(Rupees in '000)	
Present value of obligations		
Increase in discount rate by 1%	391,471	330,375
Decrease in discount rate by 1%	454,277	383,379
Increase in salary by 1%	458,150	386,648
Decrease in salary by 1%	387,261	326,822

	Number of years	
	2023	2022
Weighted average duration of the defined benefit obligations	<u>8.19</u>	<u>8.75</u>

29.2 Defined contribution plan

	2023	2022
	Un-audited	Audited
	(Rupees in '000)	
Size of the trust	<u>580,862</u>	<u>510,206</u>
Cost of investment made	<u>362,930</u>	<u>349,411</u>
Percentage of the investment made	<u>62.48%</u>	<u>68.48%</u>
Fair value of investment made	<u>362,930</u>	<u>356,865</u>

29.2.1 Breakup of investment

	2023		2022	
	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	4.29%
Pakistan Investment Bond	226,460	62.40%	170,506	47.78%
Regular Income Certificates	97,000	26.73%	97,191	27.23%
Treasury Bills	38,883	10.71%	73,254	20.53%
Mutual Fund	587	0.16%	587	0.16%
	<u>362,930</u>	<u>100%</u>	<u>356,865</u>	<u>100%</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

29.2.2 Based on the un-audited financial information of the provident and gratuity funds (the "Funds") as at 30 June 2023, investments in collective investment schemes, debt securities 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:

	2023			2022		
	Chief Executive	Non-Executive Directors	Executives	Chief Executive	Non-Executive Directors	Executives
	----- (Rupees in '000) -----					
Directors' fee	-	31,520	-	-	32,320	-
Managerial remuneration, utilities, housing perquisites etc. (including bonus)	44,948	-	170,486	44,253	-	127,642
Retirement benefits	2,750	-	7,505	2,878	-	8,757
Medical	999	-	12,618	309	-	5,586
Total	<u>48,697</u>	<u>31,520</u>	<u>190,609</u>	<u>47,440</u>	<u>32,320</u>	<u>141,985</u>
Number of persons	<u>1</u>	<u>9</u>	<u>38</u>	<u>1</u>	<u>9</u>	<u>34</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 2023

Name	Note	Nature of relationship	Nature of transaction	2023 (Rupees 000)	2022
Pakistan Security Printing Corporation (Pvt) Limited	31.1	Associated Undertaking	Sales	4,665,006	4,416,892
			Other	5,358	5,309
			Receivable	1,430,748	586,551
			Payable	42,365	71,638
			Shared expenses charged by associate	53,360	58,306
Dividend Paid	237,217	213,496			
Summer Holdings, A.S.		Director on board of Company	Dividend Paid	59,256	53,329
Industrial Development & Renovation Organisation		Director on board of Company	Dividend Payable	493,344	434,088
KSB Pumps Limited		Common Directorship	Purchases	512	-
Ellcot Spinning Mills Limited		Common Directorship	Purchases	538	-
Employees Retirement Funds	31.3	Retirement benefit funds	Contribution made	50,608	48,890
Key management personnel	31.4	Related parties	Remuneration and benefits	270,826	221,745

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	2023 (Tons)	2022
32. PRODUCTION CAPACITY			
Total Installed Capacity - on three shift basis		4,500	4,500
Available installed capacity - based on available three shift working days	32.1	4,452	4,434
Actual production		4,043	4,187

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

32.1 Actual production is in line with the customers' demand.

33. CASH GENERATED FROM OPERATIONS AND FINANCING ACTIVITIES

		2023	2022
	Note	(Rupees in '000)	
33.1 Cash generated from operations			
Profit before taxation		1,543,686	1,397,743
Adjustments for:			
Depreciation on property, plant and equipment and ROUA	4.1.1	209,026	229,647
Amortisation of Intangible assets	5 & 23	2,730	2,590
Finance costs	26	6,933	4,482
Loss on redemption of Investments in mutual funds	25	16,061	5,975
Provision against staff retirement benefits		34,286	30,170
Provision for slow moving stock - stock in trade & stores, spares and loose tools	22	-	343
Raw material written back	22	(1,039)	-
Loss on remeasurement of investment in mutual fund	25	-	141,543
Gain on disposal of operating fixed assets	24	(1,548)	(836)
Dividend income on mutual fund	24	(1,728)	(1,113)
Amortisation of discount on Pakistan investment bond	24	(18,573)	(2,960)
Mark-up on bank deposits and saving accounts	24	(106,030)	(59,198)
Income from reverse repo transactions	24	(70,003)	-
Mark-up on loan to employees	24	(2)	(18)
Mark-up on investments in Government securities	24	(469,470)	(304,325)
Changes in:			
- Stores, spare parts and loose tools		3,185	(13,614)
- Stock-in-trade		(240,285)	(7,186)
- Trade debts		(727,905)	(25,236)
- Loans, advances, deposits, prepayments and other receivables		27,235	(40,103)
- Trade and other payables		381,637	370,681
		<u>588,196</u>	<u>1,728,585</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

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 2022	24,198	108	408,482	432,788
Dividend declared	-	-	592,560	592,560
Lease obligation entered during the year	23,151	-	-	23,151
Interest accrued on lease obligation	5,422	-	-	5,422
Mark-up on running finance	-	179	-	179
	28,573	179	592,560	621,312
Payments against lease obligations	(9,695)	-	-	(9,695)
Interest payment	(5,422)	(52)	-	(5,474)
Disposal	(2,402)	-	-	(2,402)
Dividend paid	-	-	(537,148)	(537,148)
	(17,519)	(52)	(537,148)	(554,719)
Closing balance as at 30 June 2023	<u>35,252</u>	<u>235</u>	<u>463,894</u>	<u>499,381</u>

34. CASH AND CASH EQUIVALENTS

	Note	2023 (Rupees 000)	2022
Short term investment in reverse repo transactions		1,691,996	-
Cash and bank balances	13	403,551	758,182
		<u>2,095,547</u>	<u>758,182</u>

35. FINANCIAL RISK MANAGEMENT

Financial risk factors and risk management framework

The Company finances its operations through short term borrowing 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 2023

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 2023 which are summarized below:

35.1 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 20.23% (2022: 9.30%) 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	2023 (Rupees in '000)	2022
Investments	6 & 12	4,900,401	4,558,189
Trade debts	9	1,565,394	837,489
Loans, deposits, and other receivables		87,776	118,180
Lease deposits		7,648	4,936
Interest accrued	11	108,183	30,457
Bank balances	13	403,551	758,182
		<u>7,072,953</u>	<u>6,307,433</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 2023

	2023	2022
	(Credit Ratings)	
Meezan Islamic Fund	-	AM1
NIT Islamic Equity Fund	-	AM1
NBP Islamic Stock Fund	-	AM1

All the counterparties are of domestic origin. Aging of the trade debts is as under:

	2023		2022	
	Gross	Impairment	Gross	Impairment
	----- (Rupees in '000) -----			
Neither past due nor impaired	1,111,267	-	837,458	-
Past due but not impaired				
- 31 - 60	454,031	-	-	-
- 61 - 90	-	-	-	-
- 90 and above	96	-	31	-
	<u>1,565,394</u>	<u>-</u>	<u>837,489</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.

35.1.1 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	2023	2022
			(Rupees in '000)	
National Bank of Pakistan Limited	PACRA	A1+	35,532	35,485
MCB Islamic Bank Limited	PACRA	A1	188	180
Bank Al Habib Limited	PACRA	A1+	360,945	721,464
Meezan Bank Limited	JCR - VIS	A1+	6,550	741
Khushali Microfinance Bank Limited	JCR - VIS	A-2	15	14
Habib Metropolitan Bank Limited	PACRA	A1+	113	99
Bank Al Falah Limited	PACRA	A1+	136	160
			<u>403,479</u>	<u>758,143</u>

35.1.2 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

35.2 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. 600 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:

	2023					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	----- (Rupees in '000) -----					
Financial Liabilities						
Lease liabilities	35,252	(49,533)	(3,757)	(3,756)	(22,181)	(5,558)
Trade and other payables	1,045,156	(1,045,156)	(749,997)	(110,555)	(184,604)	-
Accrued mark-up	8	(8)	(8)	-	-	-
Unpaid dividend	459,384	(459,384)	(459,384)	-	-	-
Unclaimed dividend	4,510	(4,510)	(4,510)	-	-	-
	1,544,310	(1,558,591)	(1,217,656)	(114,311)	(206,785)	(5,558)
	----- (Rupees in '000) -----					
	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) -----					
Financial Liabilities						
Liabilities against assets						
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	404,348	(404,348)	(404,348)	-	-	-
Unclaimed dividend	4,134	(4,134)	(4,134)	-	-	-
	1,041,183	(1,045,000)	(926,278)	(98,460)	(10,887)	(5,558)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

35.3 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.

35.3.1 Currency risk

The Company was mainly exposed to currency risk on import of raw materials and fixed assets being denominated in US dollars, Euros and Great Britain Pounds.

The Company's exposure to foreign currency risk is as follows:

	2023			
	GBP	USD	Euro	Total
	----- (Rupees in '000) -----			
Payable against purchase of operating fixed assets	-	-	66,311	66,311
Gross balance sheet exposure	-	-	66,311	66,311
Outstanding letters of credit	8,166	111,458	98,313	217,937
Net exposure	<u>8,166</u>	<u>111,458</u>	<u>164,624</u>	<u>284,248</u>

	2022			
	GBP	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>-</u>	<u>25,235</u>	<u>68,709</u>	<u>93,944</u>

The following significant exchange rates have been applied:

	2023	2022
USD to PKR	287.10	206.00
Euro to PKR	314.27	215.75
GBP to PKR	365.40	-

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.

	2023	2022
	(Rupees in '000)	
Increase	4,045	3,232
Decrease	(4,045)	(3,232)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

35.3.2 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, 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	2023 Carrying amount (Rupees in '000)	2022 Carrying amount (Rupees in '000)
Financial assets			
Fixed rate instruments			
Pakistan Investment Bonds (PIBs)		<u>2,103,729</u>	<u>94,464</u>
Deposits & Saving Accounts	13	<u>403,312</u>	<u>757,858</u>
Treasury Bills	12	<u>-</u>	<u>2,436,276</u>
Variable rate instruments			
Pakistan Investment Bonds (PIBs)		<u>1,086,652</u>	<u>1,225,195</u>
Financial liabilities			
Variable rate instruments			
Lease liabilities	15	<u>35,252</u>	<u>24,198</u>

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 2023		
Cash flow sensitivity - Variable rate instruments	<u>10,514</u>	<u>(10,514)</u>
As at 30 June 2022		
Cash flow sensitivity - Variable rate instruments	<u>12,010</u>	<u>(12,010)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets of the Company.

35.3.3 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:

	2023	2022
	(Rupees in '000)	
Units of mutual funds	-	80,225

The sensitivity analysis prepared is not necessarily indicative of the effects on other comprehensive income, equity and assets of the Company.

35.3.4 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.

36. 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 2023

Note	30 June 2023				30 June 2023			
	Carrying amount			Total	Fair value			Total
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 fund	-	-	-	-	-	-	-	-
Financial assets not measured at fair value								
Investments								
- Pakistan Investment Bonds	-	3,190,381	-	3,190,381	-	3,300,522	-	3,300,522
- Treasury bills	-	-	-	-	-	-	-	-
Loans, deposits and other receivables	36.1	87,776	-	87,776	-	-	-	-
Interest accrued	36.1	108,183	-	108,183	-	-	-	-
Trade debts	36.1	1,565,394	-	1,565,394	-	-	-	-
Bank balances	36.1	403,551	-	403,551	-	-	-	-
		5,355,285	-	5,355,285	-	3,300,522	-	3,300,522
Financial liabilities not measured at fair value								
Liabilities against assets subject to finance lease								
to finance lease	35.2	-	35,252	35,252	-	-	-	-
Trade and other payables	35.2	-	1,045,156	1,045,156	-	-	-	-
Mark-up accrued	35.2	-	8	8	-	-	-	-
Unpaid dividend	35.2	-	459,384	459,384	-	-	-	-
Unclaimed dividend	35.2	-	4,510	4,510	-	-	-	-
		-	1,544,310	1,544,310	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

Note	30 June 2022						
	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	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	-
- Treasury bills	-	2,436,276	-	2,436,276	-	2,432,625	-
Loans, deposits and other receivables	36.1	-	118,180	-	118,180	-	-
Markup accrued	36.1	-	30,457	-	30,457	-	-
Trade debts	36.1	-	837,489	-	837,489	-	-
Bank balances	36.1	-	758,182	-	758,182	-	-
		-	5,500,243	-	5,500,243	-	3,744,961
Financial liabilities not measured at fair value							
Liabilities against assets subject to finance lease	35.2	-	-	24,198	24,198	-	-
Trade and other payables	35.2	-	-	608,395	608,395	-	-
Mark-up accrued	35.2	-	-	108	108	-	-
Short term borrowings	35.2	-	-	-	-	-	-
Unpaid dividend	35.2	-	-	404,348	404,348	-	-
Unclaimed dividend	35.2	-	-	4,134	4,134	-	-
		-	-	1,041,183	1,041,183	-	-

36.1 The Company has not disclosed the fair value for some financial assets and financial liabilities, as these are either short term in nature reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

37. OPERATING SEGMENTS

These financial statements have been prepared on the basis of a single reportable segment.

- 37.1** Revenue from banknote paper represents 80.51% (2022: 83.56%) of the total revenue of the Company.
- 37.2** All the sales of the Company are made to customers located in Pakistan.
- 37.3** All non-current assets of the Company at 30 June 2023 are located in Pakistan.
- 37.4** One customer (PSPC) of the Company accounts for 80.51% (2022: 85.82%) of total revenue of the Company for the year.

38. NUMBER OF EMPLOYEES

The number of employees including contractual employees of the Company are as follows:

	2023	2022
	(Numbers)	
At year end	294	301
Average employees during the year	299	310
Factory employees	209	198

39. DIVIDEND AND APPROPRIATIONS

The Board of Directors in their meeting held on September 13, 2023 have proposed a final cash dividend of Rs. 11 per share amounting to Rs. 651.81 million (2022: Rs.10 per share amounting to Rs. 592.559 million) for approval of the members at the Annual General Meeting to be held on October 26, 2023 and approved the transfer of Rs. 295.144 million from unappropriated profits to general reserves (2022: Rs. 356.430 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 2024.

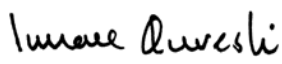
40. GENERAL

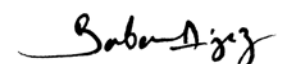
40.1 Corresponding figures

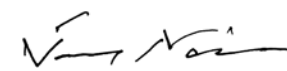
Corresponding figures have been re-presented, wherever necessary.

40.2 Date of authorisation

These financial statements were authorised for issue on September 13, 2023 by the Board of Directors of the Company.


Imran Qureshi
Chief Executive Officer


Babar Aijaz
Chief Financial Officer


Jamal Nasim
Director





Future Outlook

- 192 Forward looking statement
- 193 Status of the projects disclosed in the previous year

FUTURE OUTLOOK

Forward looking statement

At Security Papers Limited, our goal is to deliver high quality paper to our major customer Pakistan Security Printing Corporation (Pvt.) Limited (PSPC) for onward delivery of currency notes to State Bank of Pakistan. One of the major strengths of the Company is that it is the sole manufacturer of Banknote paper in the country. Over the years, the Company has upgraded its production facilities by acquiring state-of-the-art Plant & Equipment. The Company remains focused on delivering long term impact for the customers we serve and achieve sustainable growth in the process. FY 2022-23 was marred by a very challenging operating and macro-economic environment. Despite these challenges, the Company was able to deliver double digit growth in its top-line. Margins, however, remained under pressure due to unprecedented devaluation, unprecedented inflation and a sharp increase in the price of raw material and other inputs. In addition, imposition of super tax has had a dampening effect on the bottom-line of the Company.

Looking ahead to 2024, a stable exchange rate and inflation percentage is paramount to the sustained operations of the Company. 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 factors that might affect the Company comprises of political, economic, socio cultural, technological, legal and environmental (PESTLE). These factors 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. Political instability and regulatory changes may have adverse impact on Company operations.

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. To keep the business ahead the management continuously adjusts its strategies to reflect the environment of the Company. The management is much focused on tracking these changes and minimize their consequences.

Company performance against forward looking disclosures made last year

Financial Performance

The Company reported highest ever sales revenue of Rs 5,795 million (MN) (June 2022: Rs 5,147 MN). The Company received a price increase of Rs. 972 MN (June 2022: Rs Nil) from PSPC on Bank note paper supplied during the year as per agreed pricing formula.

The Company has earned before tax and after tax profit of Rs 1,544 MN and Rs 967 MN respectively (June 2022: Rs 1,398 MN and Rs 949 MN) higher than last year despite an increase in super tax rate from 4% last year to 10% for FY-2022-23.

The Company had achieved sales volume of 4,048 tons (June 2022: Rs 4,176 tons) during the year ended June 30, 2023 including sales of 816 tons of Ballot paper to Election Commission of Pakistan (ECP). The Company has produced Banknote paper of different denominations as per customers' demand which worked out to be 80% of total sales revenue. Sales of Banknote paper amounting to Rs 4,665 MN (June 2022: Rs 4,301 MN) showing an increase of 8.5%.

FUTURE OUTLOOK

Status of the projects disclosed in the previous year

The Company has made capital expenditure during the year for the purpose of enhancing productivity and improving plant efficiency. Projects disclosed last year have been completed and are operational.

Brief details of the major projects for 2023 are as follows:

- Pilot project on Renewal Energy
- New refiners and Diesel Generator 200KW
- Construction of Building for Raw Material Storage
- Upgradation of Paper Machine quality control scanner system

The Company plans to continue to invest in projects that help it to achieve its desired objectives. Major projects planned for 2024 are as follows:

- Renewal Energy Project
- Enhance capacity of waste water recycling plant
- Dual fired burner of Boiler
- New RO plant of capacity 100,000 gallon/day
- Upgradation of Distribution Control System and Automatic Voltage Regulators

Sources of information used for projections

The Company prepares its annual plans and forecasts in line with the overall strategic direction of the Company. These plans are approved by the Board of Directors annually. Periodic reviews of performance are carried out against these plans to ensure adequate monitoring and control. 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

The Company has a Business Continuity Plan in place to ensure that any adverse or unforeseen events cause minimum disruption. The Company has established a mechanism for identification of risks and devising appropriate mitigation measures which are regularly monitored and implemented by the management across all major functions of the Company.

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.





Sustainability Report

196	Sustainability Governance
197	Additional Certification
201	Project Execution
202	Continual Improvement Initiative
203	Sustainability Performance 2022-23 Highlights
206	Sustainability Framework & Strategy
210	Adaptation Strategy and Action Plan
215	About Sustainability Reporting
217	Materiality Assessment
221	Sustainability Development Goals (SPL)
222	SPL Commitment to the SDGs
224	Management Approach to Inclusive Development
250	GRI Content Index
255	SDGs Index
256	Glossary & Acronyms
258	Independent Assurance Statement
261	Accomplishment of Company Wide Sustainability Objectives for FY 2022-23
264	Company-wide Sustainability Objectives for FY 2023-24
265	Corporate Social Responsibility

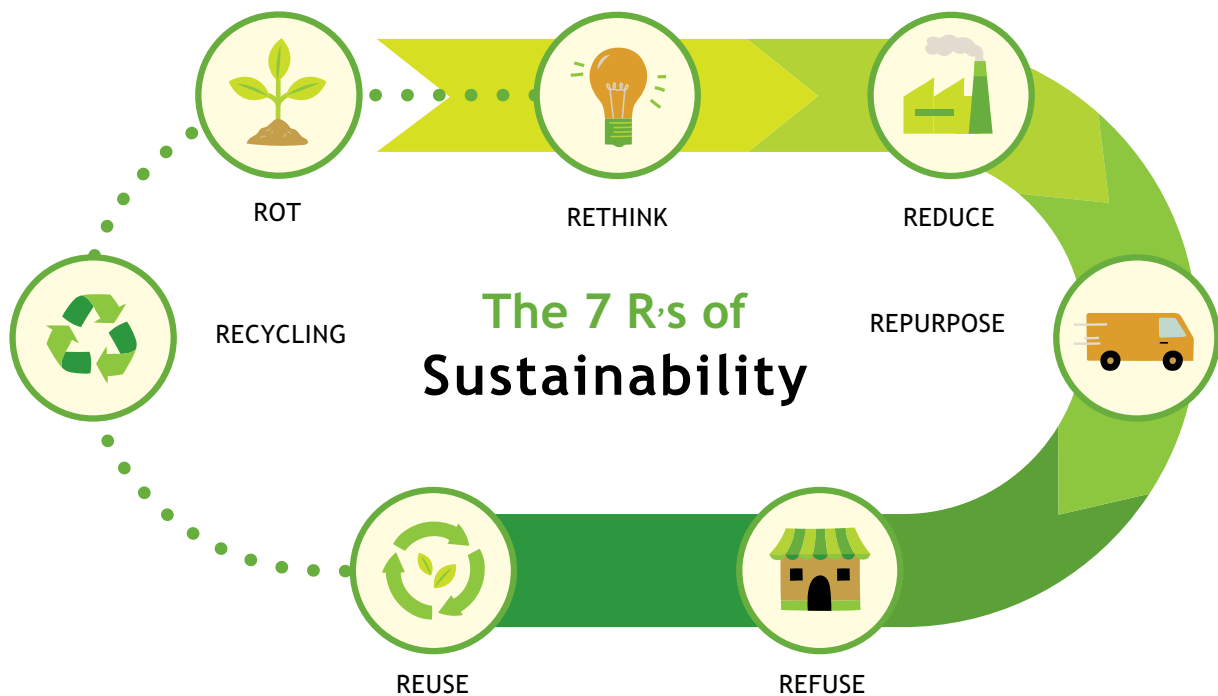
Sustainable Governance

Principal Activities

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

Sustainable Development Environmental, Social and Corporate Governance

The Company has a strategic nature of operations as its products are of highest national importance. Therefore, the security of Products, its production facilities and human capital is of prime concern for Management. For sustainable business growth and to evaluate the extent to which an organization works on behalf of social goals that is beyond maximize profits for the shareholders, and include factors identified in Organization Context like Diversity, Human rights, Consumer protection, Management structure, Employee relations, relations with all interested parties, Climate change and sustainability etc.



To extend the scope of Sustainability we believe in 7 R's of Sustainability the models necessary to ensure the survival of the human race and planet Earth, which includes ways to slow or reverse pollution, conserve natural resources and protect our environment.

And contribute to comply the priority issues incorporated in **Pakistan National Climate Resilience and Adaptation Plan 2023-2030** at our level.

The company has established a comprehensive Integrated Management System which comprises Quality, Environment and Occupational Health & Safety Management Systems based upon International Standards with certifications of ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 respectively.

ADDITIONAL CERTIFICATION

Certification of ISO/IEC 27001 INFORMATION SECURITY MANAGEMENT SYSTEM (ISMS)

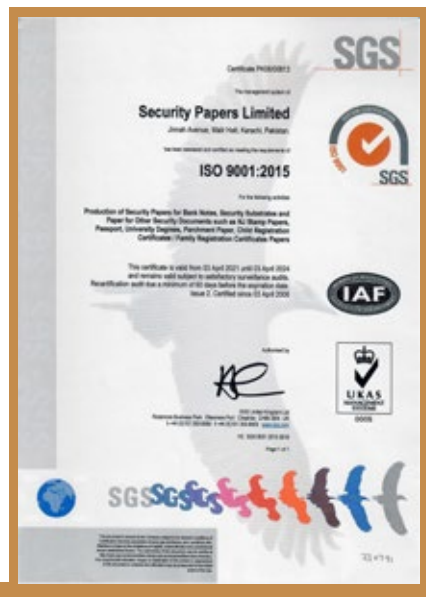
We are proud to announce that our Company has achieved the prestigious ISO/IEC 27001 Information Security Management System (ISMS) certification. It marks a significant milestone for us. This certification validates our commitment to protecting the confidentiality, integrity, and availability of our information assets. The certification body “SGS (Private) Limited Pakistan” granted this certification, which is valid from Dec 19, 2022, to Oct 31, 2025.

Environment Excellence Award

The National Forum for Environment & Health - NFEH conferred the 20th Annual Environmental Excellence Award in July 2023 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 11th, 15th, 16th, 17th, 18th and 20th Annual Environment Excellence Awards in 2014, 2018, 2019, 2020, 2021, 2023 respectively.

The Company has invested in developing its infrastructure in water resources for reduction in the 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.



Quality Management System (ISO 9001:2015)

Maintaining ISO certification is proof of the sustainability of achievements accomplished for the quality products & services being provided to our customers as well as adopting best international practices and procedures with respect to the Quality Management Systems and established "Context of the Organization" to fulfill the needs and expectation of internal as well as external Interested Parties.

ISO 9001 also aids in improving customer satisfaction by understanding their needs and expectations, and consistently meeting or surpassing them. This leads to increased customer loyalty and repeat business, ultimately contributing to the growth and success of our organization.

Environment Management System (ISO 14001:2015)

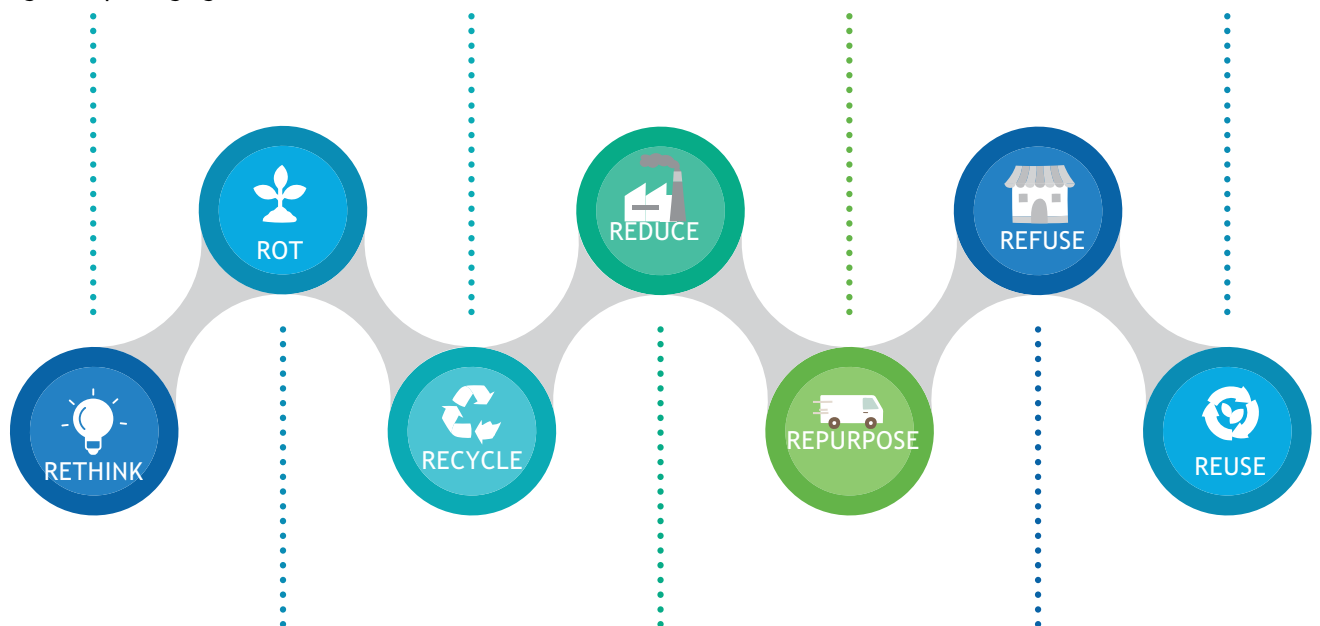
The Environment Management System (ISO 14001: 2015) integrates procedure and processes for training of personnel, monitoring, summarizing and reporting of specialized environmental performance data and information to internal and external stakeholders. We have implemented environmental programs in a comprehensive, planned manner which are well documented. The organization is also fully committed regarding 7Rs (Rethink, Refuse, Reduce, Repurpose, Reuse, Recycle & Rot) of waste to ensure 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 of Competent SEPA (Sindh Environment Protection Agency) certified environmental consultant which resulted in effective monitoring of environmental parameters such as stack emissions and effluent quality as per legal compliances. The Sindh Environmental Protection Act, 2014, and SMART Rule 2014 are fully implemented.

Stop and Think Do we really need that box of individually wrapped snacks?
Talk to companies that supply our favourite products about rethinking their packaging

Use city curbside pickup or find drop-off location
Ask about recycling option at work Place a recycling container in our car

Transform stuff we'd normally throw away into something cool and useful
Repurpose packaging into arts and crafts

Be creative
How can we reuse packaging such as glass, cardboard and some plastics for other uses?



Transform organic waste (food scraps + yard clippings) into nutrients rich soil amendment
Start composting simply + Cleanly with the AeramatiCo

Reduce consumption
Become conscious of our choice and question whether or not we really need something

Refuse single-use plastics
Refuse non-recyclable packaging

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 trainings 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, Firefighting, Healthcare Policy Awareness, Implementation of 5S methodology to improve Housekeeping, waste and hygiene control, ISO Management Systems, Work life balance, Fire protection facilitator, Professional Safety Practitioner, sessions on Sustainability reporting, Besides that, technical trainings, job hazard analysis, sessions etc. were also arranged through both internal and external reputable trainers/facilitators. Over 2,224 training man-hours out of a total of 2,798 man-hours (approx. 79.48 %) were allocated to OHS and Sustainability related training courses that were attended by over 403 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 body such as SGS Pakistan.

A lot of high-quality personal protective equipment (PPEs) have 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 and Environment were conducted to emphasize on the importance of these issues.

17TH OSHE (Occupational Safety, Health and Environment) Award 2023

SPL has participated the 17th OSHE award organized by Employers Federation of Pakistan (EFP)

EFP has given focused importance to the need of making workplaces safer and healthier. In addition recognizing companies demonstrating best practices in areas of Occupational Safety and Health for the consecutive 16 years, regardless of their size or the sector they operate within.

Information Security Management System (ISMS - ISO 27001)

Background

The ISO/IEC 27001 standard provides a framework for an organization's Information Security Management System (ISMS). Due to Cybersecurity Security attacks in different local / international organizations. Cybersecurity and data protection are now one of the primary concerns for businesses and customers in Pakistan and across the world, making it essential for companies to implement the highest Information Security standards. Getting compliant with ISO 27001 demonstrates to relevant stakeholders / existing / potential customers that the company has got a vigorous ISMS in place and are constantly working to protect all its information.



Project Execution

SPL has engaged a well renowned firm which provides inspection, verification, testing and certification services for ISO Standards. SPL Management and IT Department has strategically planned all activities including selection of vendor, gap analysis, addressing the gray areas to eliminate the gaps, policies and procedures, Internal Audit, Management and relevant stakeholder's engagements etc. to prepare itself for Certification. SPL IT Department has taken up the gap area and has designed and implemented Information Security Management System (ISMS) of SPL supported by multiple Information Security Policies approved by the Management. This Project involves comprehensive activities which took more than six months to design the ISMS of SPL without any outside consultancy. These policies will be a guideline for different IT practices in the company.

Stage 1 Audit of ISO/IEC 27001 Certification by SGS Pakistan has been conducted successfully on April 14, 2022. It is a mandatory requirement to arrange Stage 2 (Certification Audit) within six months from the commencement date of Stage 1 Audit. Upon Management direction, the IT Department has targeted to arrange the Stage 2 certification audit before the due date. All Departments are engaged and participating to implement ISMS to achieve this prestigious Information Security Certification for SPL.

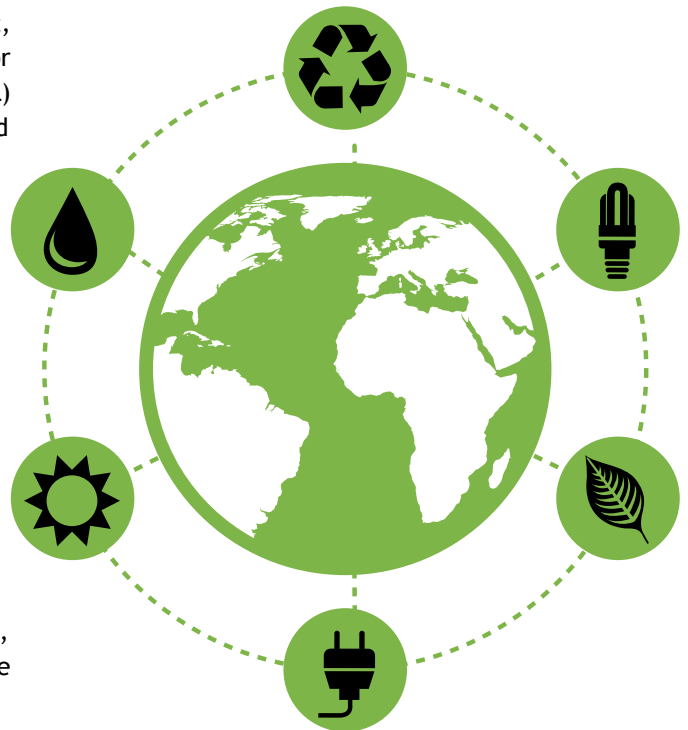
Project Completion

SPL has been awarded the prestigious Information Security Management System (ISMS) certification by the reputable certification body, SGS (Private) Limited Pakistan, valid from December 2022 for three years. It showcases SPL's commitment to maintaining high standards of information security.

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.



Business Continuity Plan (BCP)

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

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 continually improve all functions and involve all employees from the Top management 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 a 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 22 KAIZEN projects have been successfully implemented in the organization in FY 2022-23. Performance of each individual against the accomplishment of KAIZEN Projects has also been linked with the Annual Performance Appraisal System.

5S System Implementation Program

Implementation of all five phases of 5S including Sorting, Setting, Shining, Standardizing, and Sustaining in the workplace in true letter and spirit in the last three 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 assign scores while simultaneously also identifying areas for improvement.

SUSTAINABILITY IS OUR OBSESSION

Sustainability Performance 2022-23 Highlights

Material Issue	Boundary (Within/Outside)
Enhanced Efficiencies	<p>Waste Water - 3.65% Reduced per Tons of Paper made.</p> <p>Power Generation:</p> <ul style="list-style-type: none"> • Solar Energy Project 40 KW capacity for Admin Block has been completed with the cost of about Rs.4.4 million. • Installation of 130 KW Solar Electrical Generation. • In addition, the new project for mitigation of energy waste has been planned by upgrading Machines' efficiencies like the up-gradation of the Automatic Voltage regulator for the Co-Generation Plant. In this regard, Rs.7.2 million has been allocated. • Upgradation of CNC Machine
Recycling / Reprocess	Recycled Paper decreased up to 46.89 tons
Awards	<p>20th Annual Environment Excellence Award (AEEA-2023) by NFEH 2023,</p> <p>17th OSHW Award 2023 by Employer's Federation OF Pakistan (EFP) (Participated)</p>
Human Capacity Enhancement	55% man-hours increased in sustainability training
Water Saved	<p>18.46 million gallons</p> <p>Recycling of water enhanced up to 0.15 %</p>

SUSTAINABILITY FRAMEWORK & STRATEGY

Sustainability Framework

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 Occupational Health, safety, and environmental impacts on our all interested parties which have been identified in Organization Context including community and society remain sustainable following that

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 impacts 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 Interested Parties 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 advance sustainability as well as business success. Reporting on these capitals disclose how a business uses them to create value.

The Sustainability Roadmap is subdivided into four fields of action for SPL: “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 are having in fulfilling the Sustainable Development Goals (SDGs) of the United Nations. The Sustainability Roadmap is annually evaluated and 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 Interested Parties through manufacturing of high-quality products in align with established Context of Organization
- Mitigating/Adapting all types of risks through creation of framework such as Enterprise & Climate Risk Management and Business Continuity Planning (BCP)’.
- Fostering continual improvement through use of tools such as KAIZEN, 5S Methodology and Preventive and Predictive Maintenance.
- Motivating, engaging, and developing employees through coaching, mentoring, on-job training, job rotations, and project

assignments ultimately resulting in higher productivity and retention as per 'Vision 2025'.

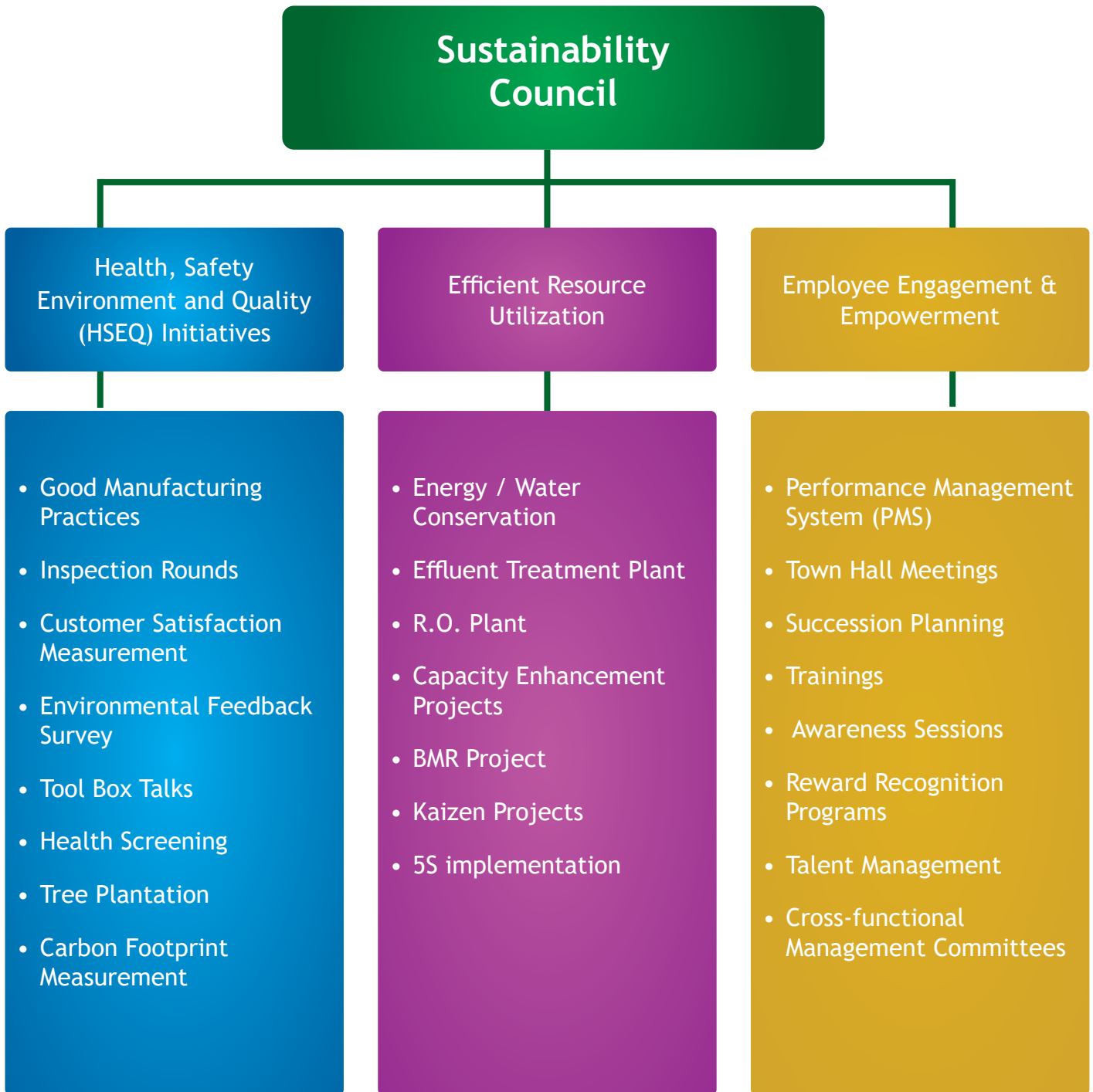
1. Cotton Fiber Source (Creating systems in identifying issues in the value chain through strengthening relationships with our suppliers ultimately resulting in procurement of high-quality raw materials)
2. Conservation of biodiversity Conservation of biodiversity is considered as a key component for 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 bicultural 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 support during natural disasters when people are forced to evacuate and/or their homes are destroyed leaving them in need of shelter, food, or water.
5. Emissions 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, halving 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 "7 R's rule" (Rethink, Refuse, Reduce, Repurpose, Reuse, Recycle, and Rot) 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 by their insurance.
9. Reforestation Tree planting has become a ubiquitous feature of the environmental zeitgeist, tree-planting that will help to reverse decades of deforestation, drought and land degradation,

SUSTAINABILITY FRAMEWORK & STRATEGY

Structure and Operations of the Sustainability Process at SPL



SUSTAINABILITY & STRATEGY

Sustainability Council

In September 2021, the SPL Management established a Sustainability Council, consisting of senior members, to provide guidance on sustainability and societal responsibility. The council operates independently and has the authority to inform, consult, and initiate actions. They regularly meet with the Management, employee representatives, and the Integrated Management System (IMS) team to exchange perspectives. The council offers advice and recommendations to help SPL become a provider of sustainable development. The performance against sustainability objectives for the FY 2022-23 was thoroughly reviewed, including any deviations or non-compliance with targets. Justifications and rationales provided by department heads were discussed, and targets for the current FY 2023-24 were 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 into business decisions, planning, and control.

Composition of Council

The Council constitutes of following members:

Chairman	-	Chief Executive Officer
Secretary / Member	-	Head of Integrated Management System
Members	-	Executive Committee Members

Scope

The Council's scope includes development, implementation, and monitoring the performance of the organization in terms of sustainable development practices encompassing all Interested Parties throughout the value chain.

Key Responsibilities of the Sustainability Council:

- To identify priority resources and material issues across our value chain.
- To identify key Interested Parties, determine approach and frequency of engagement according to their needs and expectations, and the mechanism to address issues and concerns raised by the Interested Parties.
- 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.

SUSTAINABILITY STRATEGY

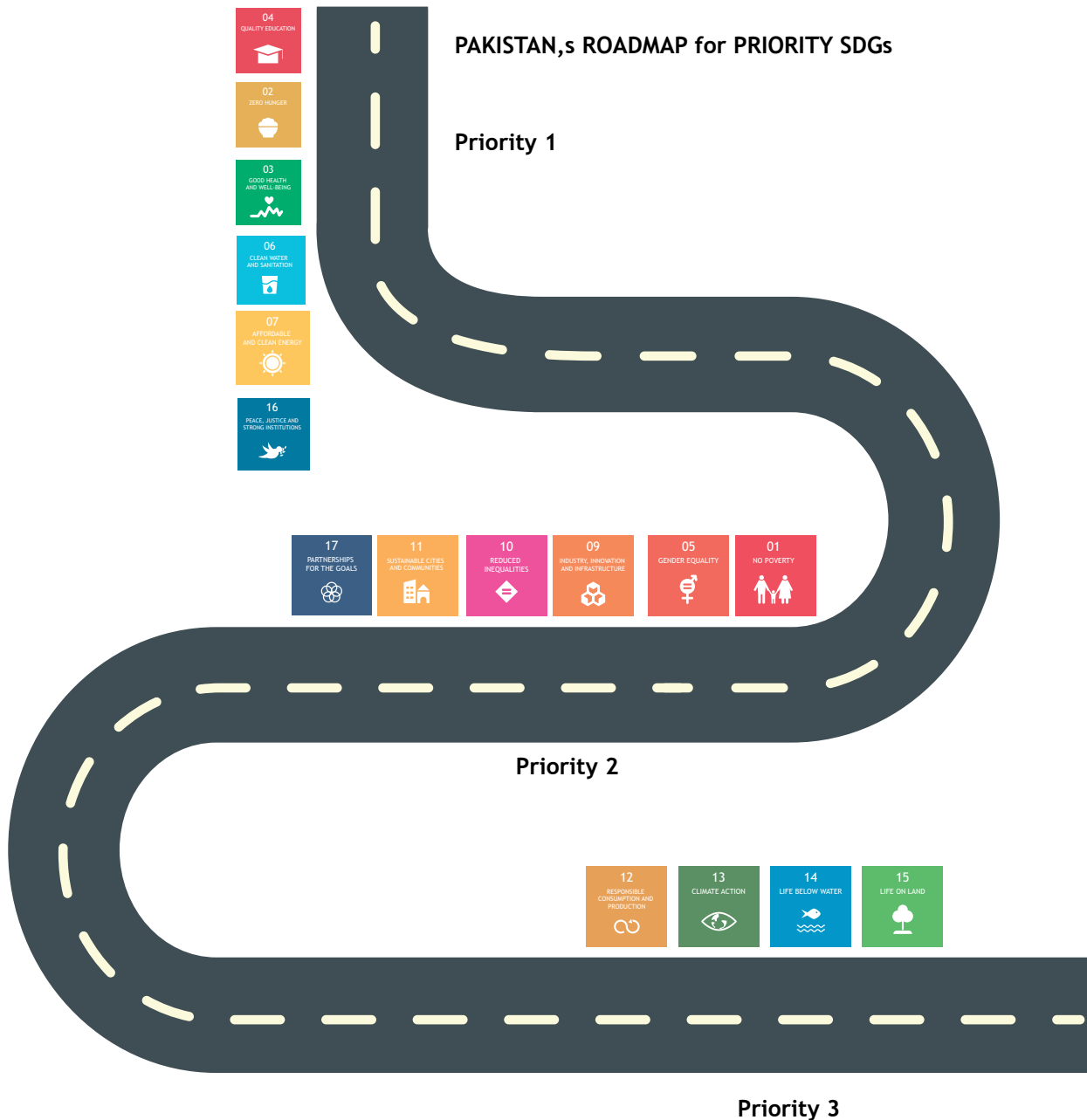
- To review and monitor organizational performance against the agreed sustainability KPIs and targets at regular intervals. To channelize, coordinate, and communicate strategies to all Interested Parties including all levels of employees related to the Company's sustainable practices.
- To foster a conducive environment for introducing tools and technologies to reinforce the concept of Sustainability within the organization.

INTERNATIONAL ENVIRONMENTAL COMMITMENTS AND OBLIGATIONS

Pakistan is a party to the United Nations Framework Convention on Climate Change (UNFCCC) which aims to achieve the “stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic [human induced] interference with the climate system”. Pakistan has also ratified the Paris Climate Agreement in 2015. Pakistan has also successfully submitted its updated NDCs to UNFCCC in 2021 with a commitment to reduce its projected emissions by 50%.

Pakistan has signed 15 international conventions and protocols concerning environmental protection and preservation. Pakistan has also adopted the Methane Pledge led by the USA and joined by over 100 countries including Pakistan. The methane pledge aims at reducing the 22emission of methane by 30% by 2030 using the carbon offset and its trading in the global carbon trading market.

EXTRACT OF PAKISTAN NATIONAL CLIMATE RESILIENCE AND ADAPTATION PLAN 2023-2030 (NAP)



As a guiding document, NAP emphasizes the following eight vulnerable sectors:

1. Water Resources
2. Agriculture and Livestock
3. Forestry
4. Human Health
5. Biodiversity and other Living Ecosystems
6. Disaster Preparedness
7. Urban Resilience and
8. Gender

ADAPTATION STRATEGY AND ACTION PLAN

Detailed Breakup of the Adaptation Strategies and Actions is as under

i) WATER MANAGEMENT

- Ensure water conservation at all levels, reduce irrigation system losses and provide incentives for the adoption of more efficient irrigation techniques
- Introduce local rainwater harvesting measures
- Ensure that, in making water allocations (within gross national availability) to various sectors in the medium term to long-term, due consideration is given to changes in sectoral demands caused by climate change
- Protect groundwater through the management and technical measures such as regulatory frameworks, water licensing, slow action dams, artificial recharge especially for threatened aquifers, and adoption of integrated water resource management concepts
- Ensure the recycling of wastewater through proper treatment and its reuse, for example in agriculture, artificial wetlands and groundwater recharge.
- Water Quality; Protect and preserve water catchment areas and reservoirs against degradation, silting and irrigation system contamination.
- Encourage active participation of farmers in water management along with line departments by accelerating the implementation of participatory irrigation management reforms.
- Ensure water distribution among provinces as far as possible following crop sowing timings.
- Develop contingency plans for short-term measures to adapt to water shortages that could help mitigate drought.
- Enact and enforce laws and regulations required for efficient water resource management and a groundwater regulatory framework.
- Legislate and enforce industrial and domestic management practices to protect the environment, in particular water resources, from further degradation.
- Develop and extend water-efficient technologies and techniques for seawater utilization, water recycling and avoiding wasteful use of domestic and drinking water.
- Promote public awareness campaigns to underscore the importance of conservation and sustainable use of water resources in partnership with all stakeholders.

ii) DISASTER MANAGEMENT

Climate change indicators and impacts related to the disaster sector

- Develop disaster management institutions, mechanisms and capacities that are capable of addressing multiple hazards and raising the resilience, efficiency and effectiveness of the whole system as outlined in National DRR Policy-2013.
- Developing hazard zoning and mitigation strategies through management, formulation and enforcement of regulations and laws
- Improving awareness of issues related to mitigation of climate change-induced disasters through public participation.
- Ensure community participation in early warning dissemination and disaster risk reduction activities, particularly in developing evacuation plans and
- Strengthen early warning systems and develop communities' evacuation plans for vulnerable coastal and other areas against cyclones and sea storms
- Ensure that infrastructure, including telecommunication, power, utilities and transport are resilient to the impact of climate change, particularly to extreme weather events.

iii) HUMAN HEALTH

- Assess the health vulnerabilities of communities in areas most likely to be affected by the adverse impact of climate change, and build their capacities to reduce these vulnerabilities
- Ensure that appropriate measures to address health-related climate change issues are incorporated into national health plans
- Inform, sensitize, educate and train health personnel and the public about climate change related health issues.
- Ensure that preventive measures and resources such as vaccines, good quality medication and clean drinking water are available to the general public easily and cost-effectively, particularly during climate-related extreme events
- Prioritize climate-related risks based on the assessment and identifying technology and infrastructure options to improve resilience in the Water, Sanitation and Hygiene (WASH) sector

iv) FORESTRY

- Addressing the essential knowledge gap about climate change's impact on Pakistan's forests through research on forest adaptation.
- Taking appropriate measures to adapt to the projected adverse impacts of climate change and increase the ecological resilience of forest ecosystems.
- Promoting best practices of Sustainable Forest Management (SFM) via setting appropriate Criteria and Indicators (C&I) to ensure the social and environmental values and services from forests.
- Raising awareness among the general public, and forest communities and enhancing the capacities of forest professionals in forestry and climate change adaptation
- Enhancing Adaptive Capacity

v) BIODIVERSITY & OTHER LIVING ECOSYSTEMS

- Strengthening institutions and implementing the existing measures taken so far to enhance biodiversity conservation in Pakistan.
- Promoting and conducting the latest research in the field of biodiversity with its relevance to the effects of climate change to fill the knowledge gap between policy and practice
- Enhancing capacities of the existing and yet-to-be-established monitoring centers at national and provincial levels
- Ensure building vegetative barriers for safeguarding against sand storms near human habitats.
- Undertake development of drought-resistant shrubs, fodder crops and grasses for pastures and oases for livestock.

vi) COASTAL AND MARINE ECOSYSTEMS

- Building natural plantation barriers along coastal areas to control sand and soil erosion and to minimize the disastrous impacts of cyclones and tsunamis.
- Reduce and control solid and liquid waste disposal in the bay areas.
- Maintain marine ecosystems and fish habitats for a healthy fisheries sector

vii) WETLANDS

- Researching the causes of depletion of wetlands' ecosystem in Pakistan.
- Supplying the necessary contribution to the wetlands by efficient management of the resources.

viii) GENDER

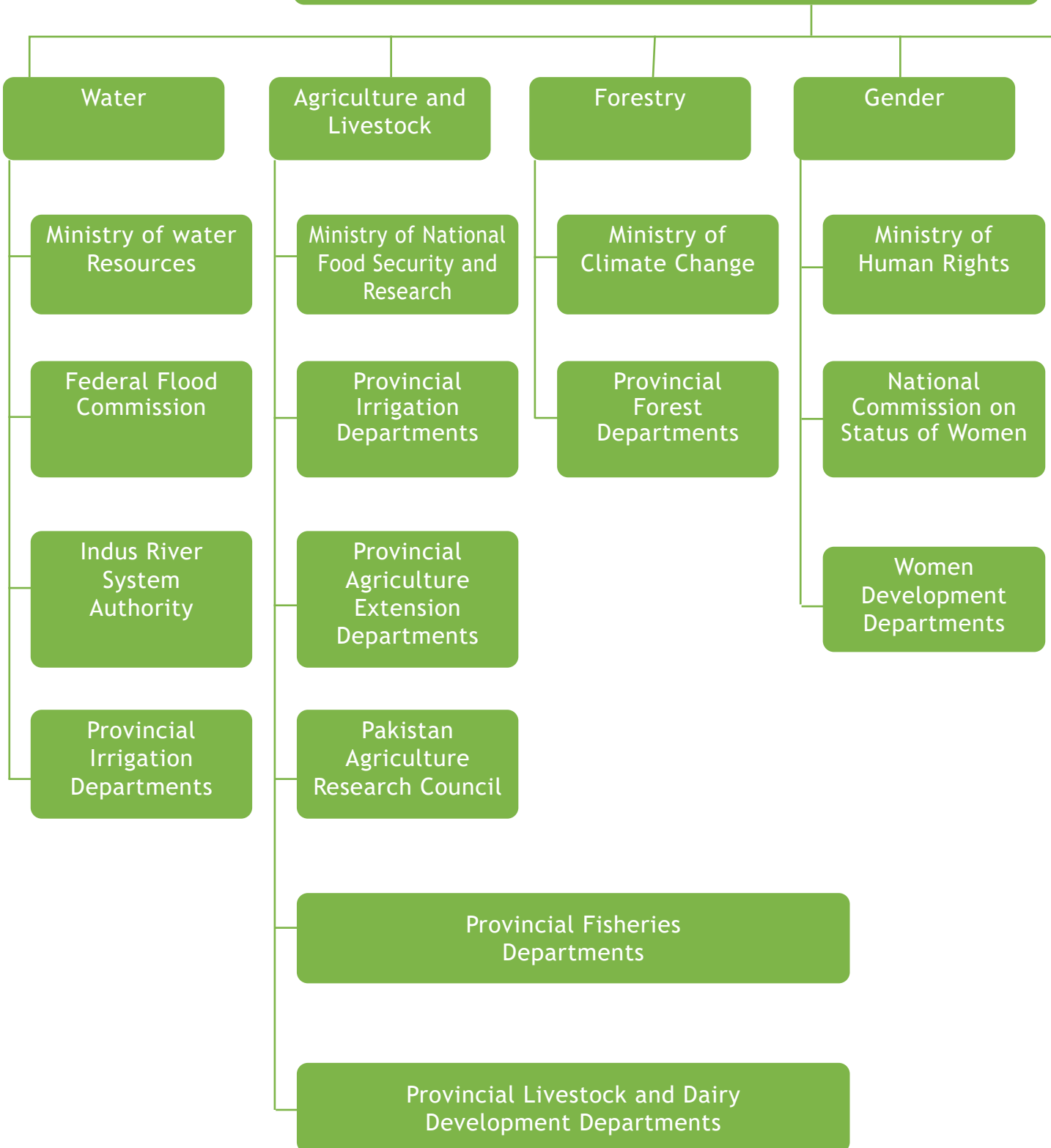
- Take steps to reduce the vulnerability of women to climate change impacts, particularly concerning their critical roles in rural areas in providing water, food, energy, and in livestock management;
- Develop gender-sensitive criteria and indicators related to adaptation and vulnerability, as gender differences in this area, are most crucial and most visible;
- Develop climate change adaptation measures on local and indigenous knowledge particularly held by women;
- Include gender-responsive budgets and resource allocation in all projects and programs;
- Provide enabling opportunities for youth to play a role in climate action.

ix) URBAN RESILIENCE

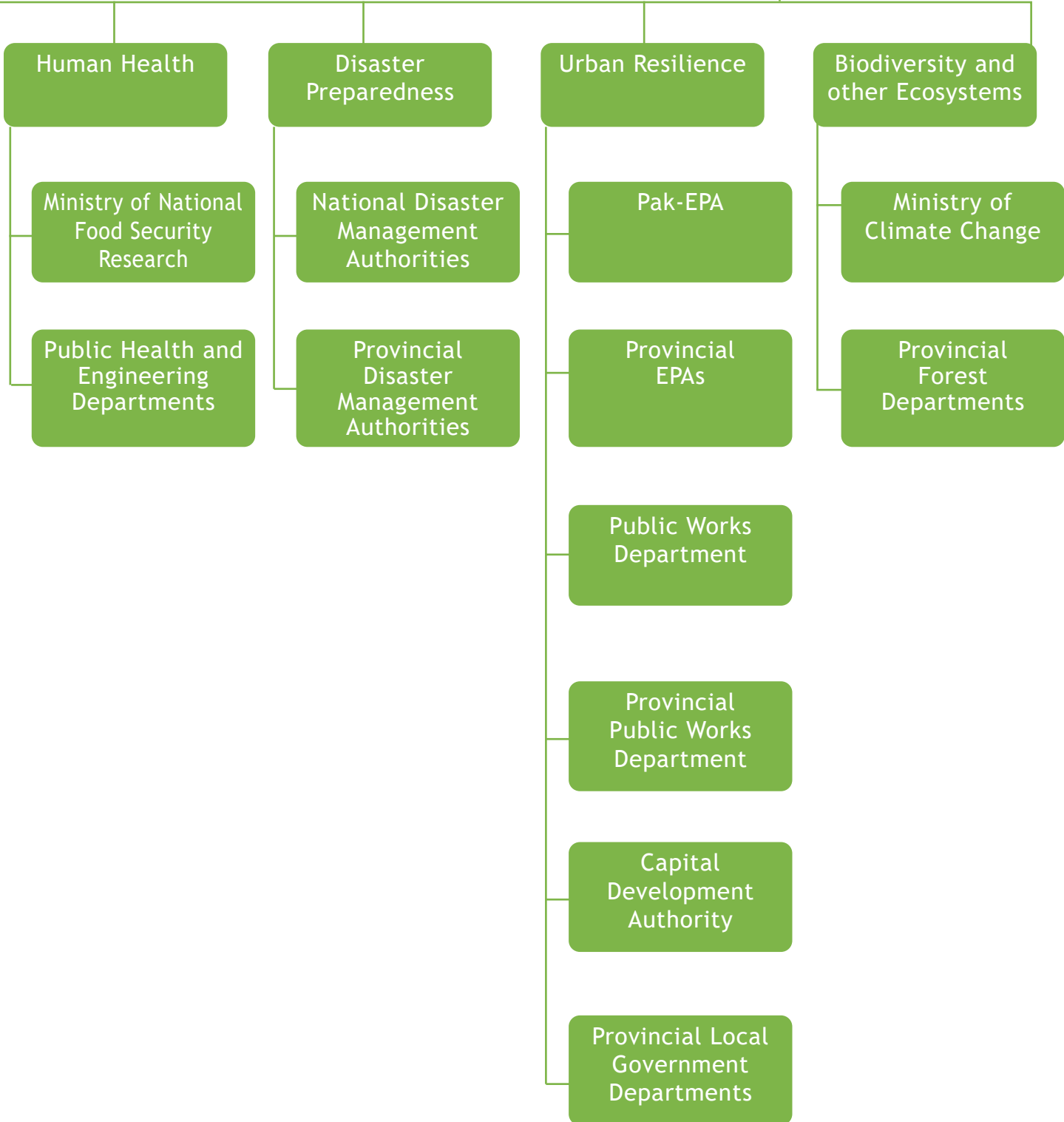
Building a Climate-Resilient City

- Incorporate climate-resilient urban planning into the city master plan and devise climate-resilient plans for urban areas
- Address energy efficiency
- Deliver city-specific baseline data on social, economic and ecological indicators and variables that help address the impacts of climate change, in a transparent and public-friendly manner, with a particular focus on:

Responsible Institutions for Implementation of Adaptation Action Plan for Vulnerable Sectors



Provincial Livestock and Dairy Development Departments



FOUR DOMAINS CO-DESIGNED SOLUTIONS

Sectoral impacts and adaptation need:

The National Adaptation Plan is addressing issues in various sectors such as water, agriculture, forestry, coastal areas, biodiversity, and other vulnerable ecosystems. Pakistan is working on a plan that seeks to conserve energy, improve energy efficiency and optimize fuel mix to support global efforts for a reduction in GHG emissions, but the more immediate and pressing task is to prepare itself for adaptation to climate change. Only by devising and implementing appropriate adaptation measures, preferably nature-based solutions at national and local levels, will it be possible to ensure water, food, and energy security for the country as well as to minimize the impacts of natural disasters on the economy, human life, health and property.

Natural

The landscapes, seascapes, ecosystems, agricultural lands, and diverse plant and animal life within Australia and its ocean territory

Agriculture
Ecosystems
Coasts
Heritage
Water Resources
Land

Built

Human-made surroundings, structures and any supporting infrastructure created using material, spatial and human resources to facilitate life, health, work and play.

Cities and Towns
Utility Networks
Road
Buildings and other Structures
Transport

Economic

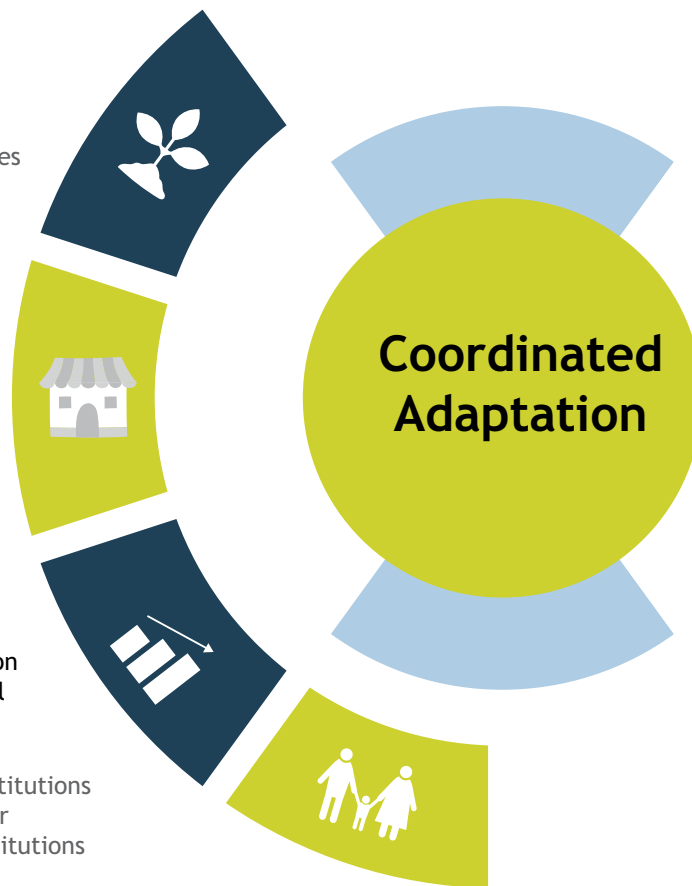
The production and consumption of goods. Productivity, financial systems, and the economy.

Insurance Institutions
Private Sector
Financial Institutions
Public Sector

Social

People, their communities, their culture, institutions, support system and their interactions

Health and Wellbeing
Families and Community
Social Welfare Services
Emergency



CAPACITY NEEDS FOR IMPLEMENTATION OF ADAPTATION PLAN

Contribution of SPL to achieve sustainability Goals FY 2022-23

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 and respect. The engaged and empowered workforce ensures that processes and systems are aligned with 7Rs (Rethink, Refuse, Reduce, Repurpose, Reuse, Recycle & Rot). 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

SPL prioritizes Sustainability Reporting to identify and communicate ESG goals and progress as an organization. This approach brings benefits such as improved reputation, better risk management, and meeting the needs of Interested Parties. Through extensive research, SPL implements best sustainability practices to enhance customer satisfaction. Continual improvement is embedded in all operations, empowering employees and reducing environmental impact. A holistic approach encompasses product innovation, supply chain processes, and the company's behavior 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.

Contributions in relevant issues highlighted in **PAKISTAN National Climate Resilience and Adaptation Plan 2023-2030** have also been considered during the year.

Reporting Period

The timeframe represented by this report 's financial details and information is July 1, 2022 to June 30, 2023. 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 2022-23, where applicable.

Date of Publication: October 2023

Reporting Cycle

Our 17th Sustainability Report has been released as part of our Annual Report-2023, representing our commitment to transparency and sustainable practices. We have implemented well-established protocols and integrated processes to ensure annual reporting. Since 2009, we have voluntarily reported on environmental practices, and this continues to be a

ABOUT SUSTAINABILITY REPORTING

key aspect of our dedication to sustainability and adherence to principles of Corporate Governance and Good Management Practices.

Most Recent Report

Before this publication, the latest Sustainability Report published by SPL was for the fiscal year 2021-22.

Restatement/Changes from prior period

SPL Sustainability performance has been aligned and linked with the Sustainability Road map for priority SDGs of Pakistan and **PAKISTAN National Climate Resilience and Adaptation Plan 2023-2030**.

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 was used. Over time, data collection and measurement methods are applied consistently.

Content

The contents are based on the results of our engagement with Interested Parties such as Employees, Customers, Suppliers, Vendors, Shareholders etc., and GRI requirements: Core option. The report also cites UN SDGs which have been identified by the Pakistan Stock Exchange as relevant to business practices and relevant issues mentioned in Pakistan National Climate Resilience and Adaptation Plan 2023-2030. Certification Processes of ISO/IEC 27001 Information Security Management System (ISMS) Is also incorporated.

The material topics relevant to our Interested Parties 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

MATERIALITY ASSESSMENT

The management acknowledges that sustainable development has been hindered by prioritizing economic growth over social well-being and ecological viability. Inclusive development consists of three key dimensions: social inclusiveness, ecological inclusiveness, and relational inclusiveness.

Materiality plays a crucial role in effective communication with Interested Parties. Matters are considered material if they are expected to significantly impact the company's economic, social, and environmental performance, as well as its profitability. Materiality encompasses both qualitative and quantitative aspects, allowing for a strategic management of risks and opportunities.

Management has adopted a materiality approach to enhance communication with Interested Parties, ensuring that the company's strategy focuses on prioritizing issues relevant to its business and stakeholders. The determination of material issues considers factors such as the organization's activities, alignment with vision and strategic goals, company reputation, internal analysis, and past practices. Feedback from Interested Parties and concerns regarding energy consumption, water availability, carbon footprint, emissions, waste, and climate change are given due consideration.

Ongoing dialogue with Interested Parties, including suppliers, consumers, and regulators, aids in conducting the annual materiality assessment. The assessment is based on the relevance of issues to strategic plans and objectives, encompassing corporate, environmental, occupational safety and health, risk assessment, and information security management systems. The results of the assessment are summarized in a table and materiality matrix, which prioritize topics based on their importance to Interested Parties in relation to the company's activities. The matrix does not include information on impacts from customers or supply chain partners.

Materiality levels will be periodically reviewed and updated during Sustainability Council meetings. The company takes into consideration any significant negative impacts on the environment, society, and economy within the supply chain, taking necessary corrective actions in consultation with the relevant Interested Parties.

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
	Compliance of legal Obligations	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
		Security Papers Limited, its suppliers
	Product Diversification	Security Papers Limited, its customers and other stakeholders
		Security Papers Limited, its customers and other stakeholders
	Capacity Enhancement	Security Papers Limited, its customers and other stakeholders



MATERIAL ISSUES

Results of FY 2022-23 & Targets of FY 2023-24

Material Issues	Target Last FY 2022-23	Result FY 2022-23	Variance %	Justification	Target FY 2023-24
Gas Consumption (Boiler)	1% reduction in direct gas consumption per ton of paper made for FY 2022-23 as compared to last year	2,160,875 (Total) m ³	+14.84	Due to production of low GSM paper for ECP	1% reduction in direct gas consumption per ton of paper made for FY 2023-24 as compared to FY2022-23
		534.53 m ³ per ton of paper	18.94		
Machine Down Time	Maintain 1.58-1.59% in Engineering downtime (out of available hours) for FY 2022-23 as compared to last year	2.4 %	+13.8	Emergency DCS communication problems	2.6% for FY 2023-24 as compared to FY 2022-23
Reducing Reliance on Local Power Supply (KE and Co Gen)	20% decrease in reliance on local power supply (K-electric) through self-generation source for FY 2022-23 as compared to last year.	17,897,465 Kwh	(6.6)	Lower production and investment in power efficient equipment	5% decrease in reliance on local power supply for FY 2023-24 as compared to FY2022-23
Customers Complains	4% reduction in Genuine Customer complaints for FY 2022-23 as compared to last year (1 Complain)	1 No.	(4)	Due to some process efficiency complaints	4% reduction in Genuine Customer complaints for FY 2023-24 as compared to FY2022-23
Efficient Utilization of Resources	1 % reduction in process losses for FY 2022-23 as compared to last year (17.47%)	17.54%	(1.46)	Due to strict monitoring and controlling in operations	1% reduction in Process Losses for FY 2023-24 as compared to last FY 2022-23

Material Issues	Target Last FY 2022-23	Result FY 2022-23	Variance %	Justification	Target FY 2023-24
Productivity (Paper Finished)	1% increase in productivity per employee for FY 2022-23 as compared to last year	13.52 Tons	0.11	Due to the increase in efficiency of processes and reduction in manpower	1% increase in productivity per employee for FY 2023-24 as compared to FY2022-23
Tree plantation	5% increase in tree plantation for FY 2022-23 as compared to last year.	106	+ 6	Additional Plant were planted at various places	5% increase in tree plantation for FY 2023-24 as compared to last FY2022-23.
Training & Development	5% increase in Sustainability related training man-hours for FY 2022-23 as compared to last year.	2,918	(11.6)	Achieved 88.4% of training hours as compare to last year	1% increase in Sustainability related training man-hours for FY 2023-24 as compared to last year.
Occupational Health & Safety	Promote 100% accident free environment and foster safety culture in FY 2022-23	No major accident took place during the year 2022-23 Achieved 700 Lost Time Injury (LTI) Free days still continued	+ 300	Due to strict inspection and vigilance and frequent Safety awareness trainings, regular Conduction Tool Box Talks, Fetal accidents are prevented	Promote 100% accident free environment and foster safety culture through implementation of continual improvement initiative in FY 2023-24



SUSTAINABLE DEVELOPMENT GOALS

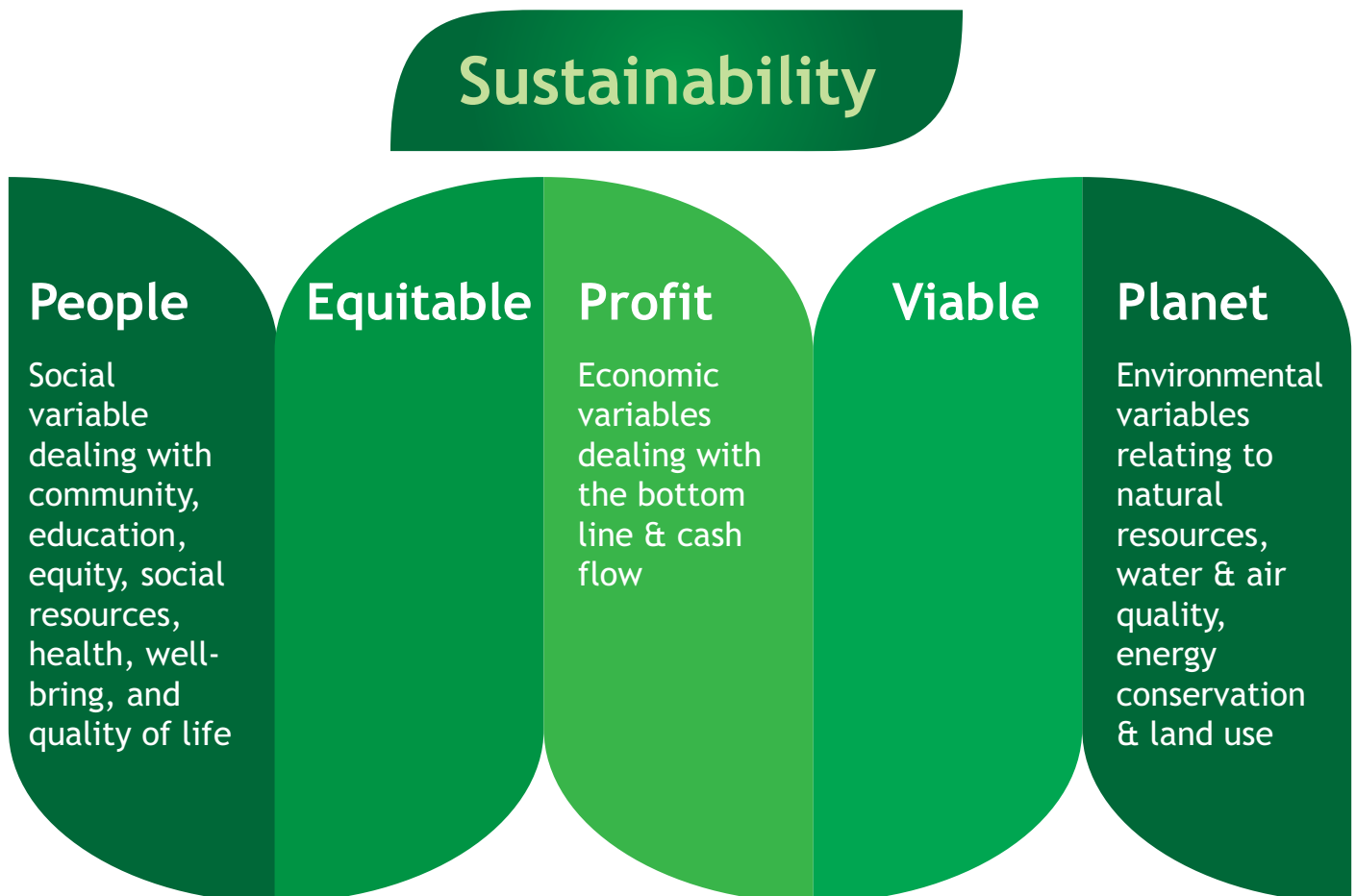
SPL COMMITMENT TO THE SDGS

Our sustainability strategy incorporates the UN's Sustainable Development Goals (SDGs) and the triple bottom line concept of People, Planet, and Profit. This aligns with Pakistan's commitment to Agenda 2030 and the National Climate Resilience and Adaptation Plan 2023-2030. To advance our sustainability efforts, we have established a Sustainability Council responsible for defining targets and key performance indicators (KPIs) that are linked to material issues. Measurement matrices have been developed for the current fiscal year and the next five years

As an organization, we are committed to leveraging our influence to contribute to the global goals outlined in the SDGs. Our progress towards these commitments will be reported annually in our integrated Annual Report.

We recognize the interconnectedness of all 17 SDGs but acknowledge that our organization's most significant impact lies in the advancement of nine specific goals.

Our sustainability performance, as measured against the SDG targets, will guide our future goals and contribute to the creation of inclusive and sustainable value.



UN Sustainable Development Goals



SUSTAINABLE DEVELOPMENT GOALS

<p>01 NO POVERTY</p>	<p>02 ZERO HUNGER</p>	<p>03 GOOD HEALTH AND WELL-BEING</p>	<p>04 QUALITY EDUCATION</p>	<p>05 GENDER EQUALITY</p>
<p>06 CLEAN WATER AND SANITATION</p>	<p>07 AFFORDABLE AND CLEAN ENERGY</p>	<p>08 DECENT WORK AND ECONOMIC GROWTH</p>	<p>09 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>10 REDUCED INEQUALITIES</p>
<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>13 CLIMATE ACTION</p>	<p>14 LIFE BELOW WATER</p>	<p>15 LIFE ON LAND</p>
<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	<p>17 PARTNERSHIPS FOR THE GOALS</p>			

MANAGEMENT APPROACH TO INCLUSIVE DEVELOPMENT

Security Papers Limited (SPL) is dedicated to inclusive development that encompasses social, ecological, and relational aspects. The company places emphasis on providing equal opportunities and a respectful workplace where all employees are treated with dignity, respecting their human rights and addressing issues of inequality. SPL has implemented policies to ensure non-discrimination based on factors such as gender, race, religion, caste, color, or creed.

Recognizing the importance of its brand image and stakeholder relationships, SPL has established a strong corporate culture. The company values its human resources and extended supply chain, investing in employee health, well-being, training, and development. SPL strives to create a working environment that promotes decent work and work-life balance.

As a responsible organization, SPL is committed to inclusive job creation, offering opportunities to females, differently-abled individuals, and the youth of the country. This approach aims to enhance their livelihood skills, enable them to become part of the workforce, and improve 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 insurance conducted SPL Medical Consultant. During 2022-23, total 191 training man-hours were devoted to health awareness addressing topics such as Dengue, Hypertension, Diabetes, Vaccination, Stress Anxiety and Depression.

The Company provided first aid and emergency medical care to its employees who become ill or get injured at work. These services are provided by appropriately trained and qualified personnel available on-site First Aid Centre.

Group Healthcare Insurance facility for all employees and their dependents, round the clock emergency first-aid services and qualified medical consultant is available 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.

- 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 Auditor for Occupational Health and Safety Management System 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.

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.

BUSINESS THEME

Employee Benefits,
Occupational Health & Safety

BUSINESS ACTION

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.

Pink day was celebrated especially for prevention of Breast Cancer, all relevant employees participated including female officers and staff. The CEO addressed and assured to fully support all efforts to prevent Breast cancer with available resources.

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 any anfactain an complicate.

SPL conducts regular health examinations for executives who do not work in hazardous environments. 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 H₂SO₄, 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 Hazardous Substance Rule 2014 is fully in place with the guidance of a SEPA Certified consultant.

Strict safety precautions are taken in respect of the workforce deployed for handling hazardous substances. Material Safety Data sheets) MSDS) have been provided at point of storage, handling and use.

All workers are thoroughly trained in safety precautions for handling hazardous substances and are being supervised by qualified supervisors following Companywide Environmental and Occupational Safety and Health Risk Assessment and Controls.

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 labs for CO₂, NO_x, SO_x, noise, and smoke.

SPL is compliant to ISO 45001:2018, ISO 9001:2015 and ISO 14001:2015 standards. Solid hazardous waste is controlled at the point of generation and disposed of 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 legal safety signs are placed at relevant locations.

BUSINESS THEME

Mitigate the health impacts of Hazardous Chemicals

BUSINESS ACTION

To ensure safe drinking water, physicochemical and microbiological testing are carried out at regular intervals in compliance with SEQs.

Liquid Effluent discharge after treatment is monitored and tested in-house at suitable intervals, while the same is also tested on quarterly basis at SEPA certified laboratories to comply with 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

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

Workshop on corporate governance and companies act & corporate reporting

HR&A Department engaged a renowned trainer Mr. Abdul Rahim Suriya (FCA, FCMA) to conduct a special workshop on Corporate Governance and Companies Act & Corporate Reporting for the Sr. Management of SPL, including Heads of Departments. This full day training was arranged at Ramada Plaza

Major topics covered in the training included the following:

1. Corporate Governance
2. Highlights of the Listed Companies (Code of Corporate Governance) Regulations, 2019
3. Responsibilities of the Board and its Members
4. Issues to be placed for decision of the Board of Directors
5. TOR of Audit & HRR Committees
6. Companies Act 2017
7. Anti-Money Laundering Act, 2010
8. Reports on the Observance of Standards and Codes- ROSC

The workshop raised awareness about the principles of corporate governance and provided guidance in the areas, including role of Board of Directors and Independent Directors, remuneration, oversight, and training of Directors, internal control mechanism, and various other corporate law requirements.

BUSINESS THEME

Employee Training and education

BUSINESS ACTION

THE TRAINING

Serving Etiquette for office food handlers.

The training was facilitated by Mr. Rizwan Ahmed Khan, who possesses corporate work experience of more than two decades most of which pertains to training and development in the field of Food & Beverages, Industrial Catering & Camp Management setups. He actually boasts about having trained and facilitated over 13,000 individuals of numerous organizations on avenues pertaining to Food Safety, Serving Etiquette, Professional Etiquette & Protocols and Supervisory Skills. He is also a founder of the Food Safety & Hygiene Awareness-School Program of Pakistan. This program is designed to provide skill-based knowledge to Office Boys/Peons and other office serving staff. This information can be immediately implemented to meet high serving standards.

A separate clause is mentioned in our Recruitment Policy regarding the minimum age limit for employment which states that the Company cannot appoint anyone less than 20 years of age.

Specialized training modules for the Production & Mould Department have been designed with a focus on developing the technical as well as soft skill capabilities of employees.

Overall, 42 participants were trained externally and 1,022 participants internally in 2022-23. Education loans are made available for employees.

During the year, 34 participants from various departments received core technical training from the most relevant and top-notch institutions like SGS, PIM, SOFTAX, PSTD, ICMAP and ICAP.

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 proposes to 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 2022-23 amounting to PKR 2.38 million.

- 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 develop 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.

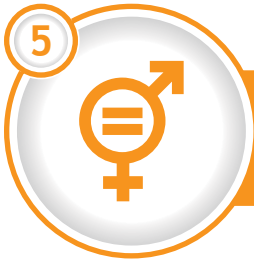
The Supply Chain Department in concert with IMS is revamping the selection and tender awarding process for External Service Providers. In this context, a comprehensive "Code of Ethics" for Sustainable Business Practices of Security Papers Limited" and a Self-Assessment Scoring Report on Sustainability 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 .

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.

WORKSHOP ON SUSTAINABLE CASH CYCLE

Giesecke + Devrient held a workshop under the slogan "Sustainable Cash Cycle" in Karachi. The family owned company, which celebrated its 170th year of history in June 2022, employs more than 12,000 talents globally and has reached an annual revenue of 2.4 billion EUR in 2021. G+D is considered the global market leader in the currency business, covering the whole cash cycle from the design of banknotes to the destruction of them and beyond. G+D has entered the Pakistani market only a few years ago with a deployment of central banknote processing equipment (BPAS M7) as well as banknote destruction equipment (BDS) across the country in the various State Bank Cash Centers.

Whilst the full day workshop, a delegation consisting of seven G+D employees, held various presentations on how to improve the local cash cycle and make it future proof with regards to security and sustainability. The workshop was well attended by various stakeholders from State Bank of Pakistan.



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 7 permanent employees in 2022-23.

Merit scholarship for SPL employees' children

SPL gives merit-based scholarships to the children of our employees every year. This year SPL granted 69 merit scholarships in different levels like Matric, Intermediate, Graduation, Post-Graduation and Foreign Qualification. We congratulate the following employees and their families for being awarded these scholarships.

BUSINESS THEME

Non-discrimination, Economic Inclusion, Parental Leave.

BUSINESS ACTION

It followed a non-discriminatory hiring approach that meets 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.

Female employees have access to facilities like, group life and healthcare insurance, medical consultant, training, decent work, and representation in decision-making processes.

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.

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.

BUSINESS THEME

Workplace violence and harassment.

BUSINESS ACTION

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.

The **Town Hall Management Party** is a newly established activity organized regularly by the CEO. The purpose of this event is to provide a platform for employees to raise and discuss both personal and operational issues that are of core importance to them.

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. Expected Mothers are especially facilitated by applying associated Risk Assessment in companywide **“Hazard Identification Risk Assessment and Control” (HIRAC)**.

Female first aiders have also been provided at female workplaces.

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

Workplace violence and harassment.

BUSINESS ACTION

SPL uses succession planning as a unique method of providing a career path for its employees. Currently, there are 14 females employed on permanent basis; one of them is working at C-2 level. The new induction of female as Manager Accounts & Finance is one of the examples of gender equality policy.



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 a consistent focus on their training and development. More than 80 (In-house & External) training sessions with 2,798 man-hours were delivered including a specialized training module for the Production 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.

BUSINESS THEME

Economic Performance,
Economic Value

BUSINESS ACTION

Signing of Agreement with the ‘Election Commission of Pakistan (ECP)’

The new contract signing between SPL and ECP marks a significant milestone in the history of ballot paper manufacturing. For the first time ever, SPL will be responsible for manufacturing the ballot paper for the next General Elections in Pakistan, solidifying its position as a trusted and reliable partner for the Election Commission of the country.

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 2022-23 was 37% females and 63 male workforces approximately.

Average hourly earnings of managerial staff are Rs.1362/- approx. and of non-managerial staff Rs.364/- approx. for 2022-23

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 enhance operational performance Mr.Asim Jamil has been appointed as General Manager (Operations) is a qualified Chemical Engineer from University of Engineering & Technology, Lahore with proven experience of dealing with plant operations in reputed organizations.

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 and 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.

A total of **22 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 2022-23.

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

The minimum wage paid to the employees is Rs. 25,000/- per month which is following the legal requirement.

No fatal accident occurred during 2022-23 and Lost Time Injury (LTI) remained **Zero**. A total of more than **700** LTI Free days have been achieved which is continuing. SPL is fully compliant with the laws of the 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.

Merit scholarship for SPL employee's children

SPL gives merit-based scholarships to the children of our employees every year. This year SPL granted 69 merit scholarships in different levels like Matric, Intermediate, Graduation, Post-Graduation and Foreign Qualification. We congratulate the following employees and their families for being awarded these scholarships.

WORKFORCE STRENGTH

by Gender, Age group & Type

Age Group	No. of Employees						Total
	Officer		Worker / Staff		Contractual		
In year	Female	Male	Female	Male	Female	Male	
20-30	1	1	1	8	0	0	11
31-40	5	22	3	37	0	0	67
41-50	1	36	1	72	0	0	110
51-60	0	25	2	77	0	1	105
>60	0	0	0	0	0	1	1
Sub-total	7	84	7	194	0	2	294
Grand Total	292				4		296

INCIDENT SUMMARY

with respect to Gender/Category

NO ANY LOST TIME INJURY (LTI) ACCIDENTS OCCURRED IN FY 2022-23

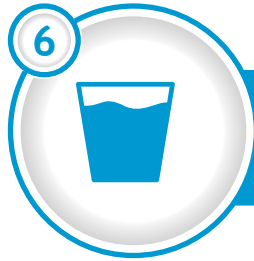
Factor	No. of Incidents	% by Gender/Category
Incident affecting male workforce	0	0
Incident affecting female workforce	0	0
Incident affecting property/equipment	0	0
Total	0	0

Management Approach to Sustainable Development

SPL is deeply committed to sustainable development principles, actively working to minimize its environmental footprint and contribute to a healthier ecosystem. In the production of security paper, SPL ensures that the sourcing and transformation of cotton into paper are done sustainably and in a resource-efficient manner. The company achieves this through the implementation of continuous improvement practices such as KAIZEN, the 5S System, the Innovative Idea Scheme, and the Employee of the Quarter Award, which optimize the efficiency of its operations.

To guide its environmental efforts, SPL has established an Environmental Policy based on annual sustainability objectives and targets set by the Sustainability Council. These objectives are integrated into the key performance indicators (KPIs) across all functional areas for the financial year.

Aware of the importance of water stewardship, SPL is dedicated to expanding its water recycling capabilities and implementing efficient wastewater treatment systems. Additionally, the company aims to reduce energy consumption by actively seeking opportunities for energy efficiency improvements and piloting a solar energy project.



6. CLEAN WATER AND SANITATION

- 6.1** By 2030, achieve universal and equitable access to safe and affordable drinking water for all. 6.b 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 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 washing areas vigorous monitoring 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 for control of Biohazards.

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 is 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

During the year Company recycled 51.69 million gallons of water as against 51.61 million gallon of last year. Company recycle 22.38% of total water consumed as against 19.98% last year.

As compared to last year i.e. FY 2021-22, 18.460 million gallon were saved.

Final discharge to Effluent water is treated and closely monitored and periodically tested to ensure full compliance with SEQS. Overall water consumption has decreased from previous year.

BUSINESS THEME

Water recycling and reuse

BUSINESS ACTION

Water consumption per ton of paper produced has decreased by 7.4% for the fiscal year 2022-2023 as compared to FY 2021-22 due to water efficiency initiatives such as recycling of wastewater.

Current water consumption is at 231 million gallons and is sourced from KWSB, water tankers, and the ETP/RO Plants

BUSINESS THEME

Waste water

BUSINESS ACTION

Liquid effluent is treated in an Effluent Treatment Plant (ETP) 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 properties of effluents are controlled which are hazardous for the environment and periodically tested the final discharge to ensure compliance with SEQS.

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

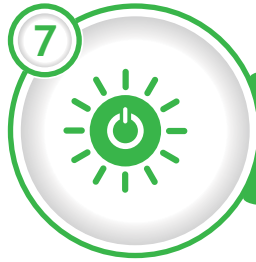
BUSINESS ACTION

Water consumption per ton of paper is reduced by 7.4% as against target of 2%.

WATER CONSUMPTION BY SOURCE

Source	2022-23	2021-22	VARIANCE	
	Gallons (000)	Gallons (000)	Gallon (000)	%
KWSB	127,664	132,905	(5,241)	(3.94)
ETP/RO Plant	79,819	104,122	(24,304)	(23.34)
Water Tankers	23,517	21,346	2,171	10.17
Total Gallons	231,000	258,374	(27,373)	(10.59)

Source	2022-23	2021-22	VARIANCE (%)
Total Paper Finish (tons)	4,043	4,181	(3.45)
Gas Consumption (cubic meters)	2,160,875	1,881,703	14.84
Gas Consumption (per ton of paper)	534.53	449.42	19
Water Consumption (million gallons)	231,000	258,376	(10.59)
Resource per unit Paper Finish production (gallons/ton)	57,142	61,709	(7.4)
Water Saved ('000 gallons)	18,460	(8,794)	310
Electricity Consumption Co Gen Power Plant (Kwh)	15,858,000	18,333,500	13.5
Electricity Consumption K Electric (Kwh)	2,038,965	829,230	145.9
Resource per unit of Paper Finish production (Kwh /ton)	4,427.26	4,576.72	(3.27)



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

Up-gradation of Automatic Voltage Regulation of gas engine enhancing the operational capacity Co-Generation Plant.

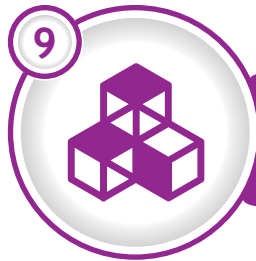
7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.

BUSINESS THEME

Renewable energy

BUSINESS ACTION

As per the global sustainability plan for renewable energy, we are following a footstep towards the achievement of the remarkable benchmark. In order to contribute to operational substantial excellence and productivity Solar Energy Project 40 KW capacity for Admin Block has been completed.



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

ISO 14001:2015

More than 04 Million PKR have been allocated in the annual Revenue Budget to maintain ISO 14001:2015 Third Party Auditing, Certification renewal of SEPA NOC, and hazardous substance Management Plan (HSMP) Periodic Environmental monitoring and testing by external SEPA Certified Laboratories and In-house and External Environment related trainings.

Automation and advancement of the existing pulping process line.

Visit of NASP Egypt

The visit of NASP Egypt has been arranged to survey the NASP BIVIS pulping process line. NASPS Cairo Egypt is the Security Papers Manufacturing firm for Egypt, consisting of two Paper producing lines, one for the Bank notes and another one for the OSP. The Technical team of the SPL consisting of Head of Engineering Projects & Head of Production & Mould visited there for 4 days to check the feasibility of the Plant with respect to our company. These visits will surely open a new direction for the automation and advancement of the existing pulping process line for the SPL and will be a new era of innovation in a globally competitive environment.

BUSINESS THEME

Environmental investment

BUSINESS ACTION



As a part of Company's continual energy conservation plan 40 KW solar system installed at Admin Block.

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 22 Kaizen Projects had been successfully completed.

BUSINESS THEME

Commemorative banknote Paper of Rs 75 on the occasion of 75th anniversary of Pakistan's independence

BUSINESS ACTION

COMMEMORATIVE BANKNOTE TO MARK 75 YEARS OF PAKISTAN'S INDEPENDENCE

SPL is collaborating with PSPC and SBP to issue commemorative banknotes of Rs 75 on the occasion of Pakistan's 75th independence anniversary. The banknote design honors the leaders behind Pakistan's creation and raises awareness about climate change. The obverse features portraits of prominent figures such as Quaid-i-Azam Muhammad Ali Jinnah and Allama Sir Muhammad Iqbal. The reverse showcases the national commitment to address climate change, emphasizing the recent impacts of heavy rains and flooding in Pakistan. Images of the national animal, Markhor, and the national tree, Deodar, highlight the need for species preservation.

BUSINESS THEME

DIGITAL TRANSFORMATION

COMMEMORATIVE BANKNOTE TO MARK 75 YEARS OF PAKISTAN'S INDEPENDENCE

Digital transformation changes the way an organization operates and Systems, people, processes, workflow and organization culture are part of this process. It is the integration of digital technology into all areas of a business, fundamentally changing how you operate and deliver value to end users. It is the incorporation of computer-based technologies into an organization's business applications, processes and planning. Benefits of Digital Transformation.

Automating manual tasks and integrating data throughout the organization, saves time and empowers team members to work more efficiently on other projects. Digital Transformation can integrate applications, databases, and software into a central repository for business intelligence. Digital Transformation is not only a functional unit of the IT Department. It may encompass every department of the company and can lead to process reengineering, innovation, and efficiency across the organization. Digital Transformation in SPL To streamline the business processes and take benefits from technological advancement, SPL Management has undertaken initiative by forming a Digital Transformation Committee. The core intent of this committee is to develop agile & automated business processes to eliminate repetitive business tasks by creating integrated software bots, and timely implementation of Digital Transformation projects to increase business agility. Objectives of Digital Transformation Committee To initiate, review, prioritize and ensure smooth implementation of Digital Transformation Projects of SPL from a cross-functional perspective by developing / implementing new Information Technology systems.

VALUE OF INVESTMENT FOR SUSTAINABILITY PROJECTS

Completed Projects	2022-23 (in PKR)
Construction of Comber store of 9600 sq. Ft area.	Rs.50 million
Installation of High-pressure cleaning Pump	Rs.7.58 million
Solar Energy Project 40 KW capacity for Admin Block	Rs.4.44 million
Upgradation of Paper Machine Quality Control System (Mahlo Scanner)	Rs. 6.8 million
Drilling of Bore for RO Plant	Rs. 16.5 million
In-Progress Projects	2022-23 (in PKR)
Up-gradation of Automatic Voltage Regulator for Co-generation Plant	Rs. 7.2 million
Dual fired burner for Steam Boiler	Rs. 37 million
Up-gradation of PM2 DCS Drives	Rs. 12 million



12. SUSTAINABLE CONSUMPTION AND PRODUCTION

12.2 By 2030, achieve the sustainable management and efficient use of natural resources

BUSINESS THEME

Energy efficiency

BUSINESS ACTION

- Up-gradation of Automatic Voltage Regulation of gas engine enhancing the operational capacity Co-Generation Plant.
- As per global sustainability plan for renewable energy, we are following a foot step towards achievement of remarkable benchmark. In order to contribute to operational substantial excellence and productivity Solar Energy Project 40 KW capacity for Admin Block has been completed.
- 130 KW Solar Electrical Generation added.
- Upgradation of CNC Machine

BUSINESS THEME

Water efficiency
Water quality

BUSINESS ACTION

See SDG 6 for initiatives on water efficiency and waste water

12.4 By 2030, 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

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.

Regular Environment monitoring testing is being carried out under consultation of SEPA certified Consultant, established and followed SEPA approved Hazardous Substance Management Plan (HSMP).

The Hazardous Substances Rules, 2014 is fully complied and in place, NOC has also been obtained from. Sindh Environment Protection Agency (SEPA) which is regularly renewed annually.

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.

Third Party 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.

BUSINESS THEME

Air quality

BUSINESS ACTION

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 labs.

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse**BUSINESS THEME**

Waste management

BUSINESS ACTION

SPL Annual Report 2023

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	2022-23	Unit	2021-22
Dry Batteries	60	Nos.	11
Different Auto Spare with Filters	02	Lot	1
Monitors Unserviceable	0	Nos.	3
Printer Unserviceable	0	Nos.	6
Computer Accessories	20	Lot	1
Electrical Scrap & Different Spare	1	Lot	1
Oil Used Large Drums	20	Nos.	12
Oil Used Small Drums Mixed	3	Nos.	2
Batteries Different type Liquid	37	Nos.	21

Waste Water	2022-23	2021-22	Variance %
Total waste water (000, Gallons/year)	128,616	146,300	-17.68
Total waste water per ton of per unit of finished production (000, Gallons/ton)	12.79	12.33	4
Water recycled -After commissioning of ETP (000, Gallons)/ year	51,692	51,614	0.2

Paper Waste	2022-23	2021-22	Variance %
Total waste in tons (Paper and Pulp)	Process =8.23	8.64	(4.74)
	Finished =9.31	9.16	(1.64)
Total waste of Paper and Pulp per unit of production (Paper made)	Paper Made =0.0038	0.0039	(2.56)
Total recycled paper waste (tons)	145	273	(46.9)
Total recycled paper waste per unit of paper finished	0.035	0.065	(46.15)



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 2022-23 total 4,786.10 metric tons of CO2 were recorded based on electricity and gas consumption which is (+14.87%) Higher than previous year.
- Further to increase minimum 1% plantation has taken up a sustainability objective for 2023-24.

BUSINESS THEME

Environmental award

BUSINESS ACTION

Security Papers Ltd received the 20th Annual Environmental Excellence Award from the National Forum for Environment and Health-NFEH in June 2023. 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.

Cyber Security Risk**Business Need**

To meet the business objectives of SPL and growing cybersecurity concerns in Pakistan, SPL Management has kicked-off the ISO/IEC 27001 Information Security Management System (ISMS) Certification Project which could be beneficial to improve Information Security practices and provide assurance to all interested parties of SPL that adequate Information Security practices and controls are in place to ensure Information Security of Information Systems under the jurisdiction of IT Department.

Project Execution

SPL has engaged a well-renowned firm which provides inspection, verification, testing and certification services for ISO Standards. SPL Management and IT Department has strategically planned all activities including the selection of vendors, gap analysis, addressing the grey areas to eliminate the gaps, policies and procedures, Internal Audit, Management, and relevant stakeholder's engagements etc. to prepare itself for Certification. Finally the project has been successfully completed in December 2022, and SPL awarded the ISMS certificate for three years.

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 kits, fire-fighting mechanisms, sand-bags, and battle boxes.

BUSINESS THEME

Climate resilient Supply Chain

BUSINESS ACTION

To enhance the capacity of the Plant in terms of maintaining a 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 an 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 with an additional cushion of 33 days of our production capacity.

BUSINESS THEME

Climate resilient Supply Chain

BUSINESS ACTION

Such strategies enhanced resilience against climate-related hazards and natural disasters.

BUSINESS THEME

Investment in environmental protection and resilience

BUSINESS ACTION

More Than 04 million PKR Budget has been allocated for Environmental legal obligations and Trainings concerning the Environment. A Standard Operation System Procedure “Compliance obligation, legal & other requirements” has been established and complied.

Regular Environmental monitoring testing is being carried out under consultation of SEPA certified Consultant, established and followed SEPA approved Hazardous Substance Management Plan (HSMP).

The Hazardous Substances Rules, 2014 is fully complied and in place, NOC has also been obtained from. Sindh Environment Protection Agency (SEPA) which is regularly renewed annually. All test reports are verified by SGS auditors during periodic surveillance & re-certification audits.

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

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.

Training and Awareness on 'Information Security'

It is a joint responsibility of IT and all other departments to understand their role in the implementation of 'Information Security Management System (ISMS)' in SPL. It is a mandatory requirement of ISMS to arrange frequent Information Security training and awareness sessions at all levels to create information security awareness. The IT Department is using multiple mediums like arranging multiple formal training sessions on a monthly basis with coordination with the HR & A Department. The IT Department also ensures to create Information Security awareness via emails on a periodic basis.

Multiple Trainings about '5S' and its implementation

In order to maintain Housekeeping throughout Factory Premises 5S Methodology system (Sorting, Setting, Shining, Standardizing and Sustaining) trainings have been imparted which not only improved working environment but also helped to control process wastes and promotes "Lean Manufacturing"



BUSINESS THEME

Waste management

BUSINESS ACTION

The concept of 7Rs (Rethink, Refuse, Reduce, Repurpose, Reuse, Recycle & Rot) 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

Re-Use of Wooden Pallets

- **Sorting and Inspection:** Once collected, the pallets are sorted based on their condition. The service providers inspect the pallets to determine if they can be repaired, refurbished, or if they need to be recycled.
- **Repair and Refurbishment:** Pallets that are in good condition but require minor repairs are often refurbished. This process may involve replacing broken or damaged boards, reinforcing weak areas, or fixing loose nails. Refurbished pallets are then made available for reuse.
- **Recycling:** Pallets sheets that are beyond repair or not suitable for reuse are recycled. The recycling process typically involves grinding the pallets into wood chips or mulch, which can be used for various purposes like landscaping, biomass fuel, or wooden decorative DIY projects. and its solid wood bottom supporting component reuse for making new pallets.
- **Sustainable Practices:** Pallet recycling prioritizes sustainability by reducing waste and promoting the circular economy. By reusing or recycling pallets, they help conserve natural resources, reduce greenhouse gas emissions associated with manufacturing new pallets, and minimize the burden on landfills.

BUSINESS THEME

Waste management

BUSINESS ACTION

- **Cost and Benefits:** Engaging pallet recycling can have financial benefits for businesses. Instead of paying disposal fees for pallets, SPL may save money approx: 2.00 Million by opting for recycling. Additionally, using recycled or refurbished pallets can be a cost-effective alternative to purchasing new ones. The production Department has taken 2000 pallets in their R/M Budget head, we could cut the cost of pallets to use the available wooden material having size (7" high x2" thick x2'-5" long).

BUSINESS THEME

Strategy

BUSINESS ACTION

The Company has a well-defined documented sustainability objective developed by relevant interested parties 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 FY 2023-24.

BUSINESS THEME

Training & Education

BUSINESS ACTION

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 2023-2024.

Training and Awareness

Information Security is a joint responsibility of IT and all Departments to understand their role in the implementation of Information Security Management System (ISMS) in SPL. It is a mandatory requirement of ISMS to arrange frequent Information Security training and awareness sessions at all levels to create information security awareness. The IT Department is using multiple mediums like arranging multiple formal training sessions on a monthly basis with coordination with the HR & A Department. The IT Department also ensures to create Information Security awareness via emails on a periodic basis.



BUSINESS THEME

Institutional capacity building

BUSINESS ACTION



BUSINESS THEME

Institutional capacity building

BUSINESS ACTION

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 and Public Addressing System. have 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. In addition, Bomb disposal capability and counter terrorist attack drill have been rehearsed by well trained professional army personnel lead by Army officer colonel (R), all regular employees (Male/ Female) visitors and top management including honorable CEO participated in compliance with SOP "Crisis Management Cell", "site Emergency & Response plan" and other Security Protocols were also practiced.

BUSINESS THEME

Mitigation and adaptation

BUSINESS ACTION

A detailed survey has been conducted at regular intervals to identify the critical areas with respect to the monsoon season. Waterproofing of all vulnerable roof areas has been carried out as per the survey to ensure the safety of the Plant and material.

Solar Energy Project 40 KW capacity for Admin Block has been completed with the cost of about Rs. 4.4 million.

130 KW Solar Electrical Generation was also added.

In addition, new project for mitigation of energy waste has been planned by upgrading Machines' efficiencies like the up-gradation of Automatic Voltage regulator for the Co-Generation Plant. In this regard, 7.2 million PKR has been allocated.

Upgradation of CNC Machine

CARBON FOOT-PRINT GENERATED FROM DIRECT GAS AND ELECTRICITY CONSUMPTION (SCOPE - I)

Description	2022-23	2021-22	Variance in %
Carbon foot-print generated from Gas Consumption (metric tons)	4,786.1	4166.3	+14.87%

GRI CONTENT INDEX

Organization Profile		
GRI Disclosure	Reference	Page #
Disclosure 102-1 Name of the organization	Annual Report 2023 The Company Profile	5-6
Disclosure 102-6 Markets served	Annual Report 2023 Primary Products	
Disclosure 102-7 Scale of the organization	Annual Report 2023-Note 38 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.	189 109-116 120-123
Disclosure 102-2 Activities, brands, products, and services	Annual Report 2023 Primary Products	6
Disclosure 102-3 Location of headquarters	Annual Report 2023 Geographical Presence (The Company Profile)	
Disclosure 102-4 Location of operations	Annual Report 2023 Geographical Presence (The Company Profile)	7
Disclosure 102-8 Information on employees and other workers	Sustainability Report 2023 SDG 8.4 - Workforce Strength by Gender, age group and type	234
Disclosure 102-9 Supply Chain	Annual Report 2023 Business Model and Value Chain Analysis, SWOT Analysis, Significant factors affecting external environment, Competitive 58-60 landscape and Market Sustainability Report 2023 SDG #5 Gender Equality Materiality Assessment	52-53 54-57 230
Disclosure 102-10 Significant changes to the organization and its Supply Chain	Annual Report 2022 for Board and Committee changes Sustainability Report 2023 Stakeholders Relationship Engagement Education for Sustainable Development	268-269
Disclosure 102-11 Precautionary principle or approach	Annual Report 2023-SWOT Analysis Companywide Risk Management Program, Enterprise Risk Management Process, Risk & Mitigation Strategy	53 39 100-102
Disclosure 102-12 External initiatives	GRI Standards for Sustainability Report	250
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)	49-52
Disclosure 102-14 Statement from senior decision-maker	Annual Report 2023 Chairman's Review	29-30

Organization Profile

GRI Disclosure	Reference	Page #
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	52-57
	Companywide Risk Management Program, Enterprise Risk Management Process, Risk & Mitigation Strategy	100-102

Ethics and Integrity

GRI Disclosure	Reference	Page #
Disclosure 102-16 Values, principles, standards, and norms of behavior	Annual Report 2023 Core Values,	14
	Company's Policies such as:	
	Code of Ethics & Business Practices, Whistle Blowing Policy, Conduct & discipline Policy, False Declaration Policy	67 229
Governance		68-84
Disclosure 102-18 Governance structure	Annual Report 2023 Corporate Governance	102-271
Stakeholder Engagement		
Disclosure 102-40 List of stakeholder's groups	Sustainability Report 2023 Shareholder Engagement	271
Economic Performance		
Disclosure 201-1 Direct economic value generated and distributed	Annual Report 2023 Statement of Value Addition and its Distribution	108
Disclosure 201-4 Financial assistance received from government	Not Applicable	-
Disclosure 102-45 Entities included in the consolidated financial statements	Annual Report 2023 Security Papers Limited	5

Organization Profile		
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 2023 about Sustainability Reporting	196
Disclosure 102-55 GRI content index	<p>Sustainability Report 2023</p> <p>SDG # 8 Decent work & Economic Growth (Theme-Diversity & equal opportunity, Employment)</p>	232
Disclosure 203-1 Infrastructure investments and services supported	<p>Annual Report 2023</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 Sustainability Report 2023</p> <p>(Theme-Infrastructure in SDG # 7 Affordable and Clean Energy (Value of investment for Sustainability Projects investments)</p>	237
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 2023 SDG-4.7 Risk & Mitigation Strategy (Commercial and Operational Risks)</p>	229

Organization Profile		
GRI Disclosure	Reference	Page #
GRI 205: Anti-corruption	Annual Report 2023 Core Values Related -Party Transaction Policy Conflict and Interest Policy Risk Management Framework SDG-5.3 Conduct & Discipline Policy Communication & Disclosure	230
Disclosure 301-1 Materials used by weight or volume	Cotton comber is used by weight. Sustainability Report 2023 Sustainability Performance Highlights 2023	203
Disclosure 302-1 Energy consumption with in the organization	Sustainability Report 2023 SDG # 7 Affordable and Clean Energy	237
Disclosure 303-1 Water withdrawal by source	Sustainability Report 2023 SDG # 6 Clean Water and Sanitation	235
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 2023-SDG # 13 Climate Action,	245
Disclosure 305-5 Reduction of GHG emissions	Sustainability Report 2023 Sustainability Performance Highlights 2020-21 SDG-13.1 GHG emission under Climate action	203 245
Disclosure 306-1 Water discharge by quality and destination	Sustainability Report 2023 SDG #12 Sustainable consumption & Production	240
Disclosure 306-2 Waste by type and disposal method	Sustainability Report - 2023 SDG #12 Sustainable consumption & Production	236
Disclosure 401-3 Parental leave	Sustainability Report - 2023 SDG#5 Gender Equality (Theme- Equal remuneration for women and men. Non-discrimination, Economic Inclusion, Parental Leave),	230
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	230

Organization Profile

GRI Disclosure	Reference	Page #
Disclosure 403-1 Workers representation in formal joint management-worker health and safety committees	Sustainability Report 2023 SDG-#3.4 Good Health & Well Being (Theme-Occupational Health & Safety)	225
Disclosure 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	SDG #8 Decent Work & Economic Growth (Theme Diversity & equal opportunity, Employment)	232
Disclosure 403-3 Workers with high incidence or high risk of diseases related to their occupation		
GRI 404: Training and Education	Sustainability Report 2023-SDG#4 Quality Education SDG # 13 Climate Action, (Themes: Training & Education, and Institutional capacity building)	227
GRI 405: Diversity and Equal Opportunity	Sustainability Report 2023 SDG #8.4 Decent Work & Economic Growth (Theme Diversity & equal opportunity, Employment)	233
GRI 408: Child Labor	Sustainability Report 2023 SDG#4 Quality Education (Theme -Education for sustainable development) Annual Report 2023 Code of Ethics & Business Practices	227
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 4.4 Employee Training & Education	228
GRI 413: Local Communities	Sustainability Report 2022 - 23 Stakeholder Engagement Annual Report 2023 - Corporate Sustainability Framework & Corporate Social Responsibility	268 265
Disclosure 419-1 Non-compliance with laws and regulations in the social and economic area	Annual Report 2023 Code of Ethics & Business Practices Annual Report 2023-Industrial Relations, SDG-5.1 Gender Equality Sustainability Report 2023 SDG# 8.3 & 8.4 Decent Work & Economic Growth (Theme-Economic Inclusion, Inclusive Business and Diversity & equal opportunity, Employment)	230 233

SDGS INDEX

SDG #	SGDs	Page #	GRI STANDARDS DISCLOSURE
3	Ensure healthy lives and promote well-being for all at all ages	225	203-2, 305-1, 305-2, 305-3, 305-6, 305-7, 306-1, 306-2, 306-3, 306-4, 403-2, 403-3
4	Ensure inclusive and quality education or all and promote lifelong learning	227	102-27, 404-1
5	Achieve gender equality and empower all women and girls	230	102-22, 102-24, 201-1, 202-1, 203-1, 401-1, 401-3, 404-1, 404-3, 405-1, 405-2, 406-1, 414-1, 414-2
6	Ensure access to water and sanitation for all	235	303-1, 303-2, 303-3, 306-1, 306-2, 306-3, 306-5
7	Ensure access to affordable, reliable sustainable and modern energy for all	237	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	232	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
9	Build resilient infrastructure, promote sustainable industrialization and foster innovation	237	201-1, 203-1
12	Ensure sustainable consumption and production patterns	240	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	242	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
H2SO4	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, ACCOUNTANTS, TAXATION, CORPORATE
LAWS, FINANCIAL SECTOR ADVISORY AND TAX
MANAGEMENT CONSULTANTS & INSURANCE SECTOR
SPECIALIST.



Ref: Damsel/Sustainability /001/2023

Dated: September 27, 2023

Independent Assurance Statement for the Security Papers Limited Sustainability Report FY 2022-2023

Damsel Consulting –Cost & Management Accountants was engaged by Security Papers Ltd. (SPL) to carry out an independent review of its Sustainability Report for FY 2022- 2023, 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 established Sustainability Council (comprising of Senior Management Team) from the current FY 2022-23 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 2021-22.

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.

Office: DAMSEL HOUSE: A -71, Sector R- 1, Gulshan-e-Maymar Karachi. Tel: 021-36351630

Website: www.damsel.consulting.com; email : info@damsel-consulting.com; consulting.damsel@gmail.com;

- Evaluation of the disclosed information in the report to check adherence to the GRI's Universal and Topic Specific Standards.
- 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 2022, 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 2022-23 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 2022-23 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 2022-23

S #	Sustainability Objectives	Unit	FY 2022-23	FY 2021-22	Difference	% Variance	Type of Variance (Favorable/ Unfavorable)	Justification
1	1% reduction in direct gas consumption in boiler per ton of paper finish for FY 2022-23 as compared to last year	m ³	2,160,875	1,881,703	+279,172	+14.84	Unfavorable	1.Additional steam used at hemp breakers for denim process.
			534.53	449.42	(85.11)	(18.94)	Favorable	2.Waste heat recovery at the cogeneration facility decreased due to gas engine maintenance and low N-gas pressure, while steam boiler operation increased.
2	Maintain 1.58-1.59% in Engineering downtime (out of available hours) (Mechanical + Electrical) for FY 2022-23 as compared to last year	%	2.4%	1.6%	+ 0.80	+ 50.0	Unfavorable	Due to frequent occurrence of DCS communication fault, rectification delayed because job to be done in shutdown (External service provider Requirement)
3	20% decrease in reliance on local power supply (K-electric) through self-generation source for FY 2022-23 as compared to last year.	Kwh	Co Generation 15,858,500	Co Generation 18,333,500	(2,475,000)	(13.49%)	Favorable	
			K Electric 2,038,965	K Electric 829,230	1,209,735	145.8%	Unfavorable	Due to low gas pressure from Dec 2022 to Feb 2023

ACCOMPLISHMENT OF COMPANY WIDE SUSTAINABILITY OBJECTIVES FOR FY 2022-23

S #	Sustainability Objectives	Unit	FY 2022-23	FY 2021-22	Difference	% Variance	Type of Variance (Favorable/ Unfavorable)	Justification
4	4% reduction in Genuine Customer complaints for FY 2022-23 as compared to last year	No.	1	1	0	(4)	Favorable	4% reduction in Genuine Customer complaints for FY 2023-24 as compared to last year
5	1 % reduction in process losses for FY 2022-23 as compared to FY 2021-22 (17.47%)	%	17.54	17.8	(0.26)	(1.46)	Unfavorable	Due to substantial countrywide inflation and fluctuation in US Dollar rate
6	1% increase in productivity per employee for FY 2022-23 as compared to last year	Ton / Employee	13.52	13.51	0.01	0.11	Favorable	Due to increase efficiency of processes and reduction of Man power
7	5% increase in tree plantation for FY 2022-23 as compared to last year.	No.	106	100	6+	+6%	Favorable	Additional Plant have been planted
8	5% increase in Sustainability related (budgeted) training man-hours for FY 2022-23 as compared to last year	Man hours	2,918	3300 Man hours	(382.5)	(11.6)	Unfavorable	Achieved 88.4% of training hours as compared to last year

ACCOMPLISHMENT OF COMPANY WIDE SUSTAINABILITY OBJECTIVES FOR FY 2022-23

S #	Sustainability Objectives	Unit	FY 2022-23	FY 2021-22	Difference	% Variance	Type of Variance (Favorable/ Unfavorable)	Justification
9	Promote 100% accident free environment and foster safety culture through implementation of continual improvement initiative such as Training and awareness sessions, Tool Box Talks, GMP Rounds observations, 5S, Reward & recognition programs etc.	%	No major accident took place during the year 2022-23 due to effectively implementation of appropriate controls And achieved 690 Lost Time Injury (LTI Free days still continued	3 minor and non-fatal accidents took place 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).	3 Accident	-300	Favourable	Due to Strict controls and compliance with standard Procedures, Toll Box talks and Strict vigilant GMP rounds and Inspect number of accidents reduced Zero Lost Time Injury (LTI). 694 LTI Free days achieved which is still continued.

COMPANY WIDE SUSTAINABILITY OBJECTIVES

FY 2023-24

S#	Finalized Targets	Department
1	1% reduction in direct gas consumption per ton of paper made for FY 2023-24 as compared to last year.	Mechanical Engineering
2	Maintain 2.6% in Engineering downtime (out of available hours) (Mechanical + Electrical) for FY 2023-24 as compared to last year.	Engineering
3	5% decrease in reliance on local power supply (K-electric) through self-generation source for FY 2023-24 as compared to last year.	Electrical Engineering
4	4% reduction in Genuine Customer complaints for FY 2023-24 as compared to last year.	Quality Assurance
5	1% reduction in process losses for FY 2023-24 as compared to FY 2022-23.	Production
6	1% reduction in cost of goods sold for FY 2022-23 as compared to last year.	Production
7	1% increase in productivity per employee for FY 2022-23 as compared to last year.	Production
8	5% increase in tree plantation for FY 2023-24 as compared to last year.	HR & Admin
9	Total Sustainability related training more than 2500 man-hours for FY 2023-24 as compared to last year.	HR & Admin/ IMS
10	Promote 100% accident free environment and foster safety culture through implementation of continual improvement initiative such as Training and awareness sessions, Tool Box Talks, GMP Rounds observations, 5S, Reward & recognition programs etc.in FY 2023-24.	All Departments

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Status of adoption/compliance of the Corporate Social Responsibility (Voluntary) Guidelines, 2013 issued by the SECP or any other regulatory framework as applicable.

Governance

Corporate social responsibility (CSR) is a strategy undertaken by SPL to not just grow profits, but also to take an active and positive social role in the world around them. The term is also associated with the related term corporate citizenship.

CSR is an approach that espouses the notion that a company can do good in the world and make a difference to improve social order. It's a topic that can engage the board of directors in an organization, as CSR reflects company culture and business practices.

Corporate Social Responsibility Policy is approved by the board of Directors, followed by Corporate Social Responsibility (Voluntary) Guidelines, 2013 issued by the SECP.

The Board through HR & R Committee approves, monitors and evaluates CSR programs & Projects and ensures that SPL contributes to the society and environment. It is the Committee's responsibility to:

- Evaluate and approve the CSR Plan
- Monitor the CSR projects/activities as and when needed.
- Ensure that in each financial year the Company spends the budget allocated by the Board.
- Ensure that in every financial year funds committed by the Company for CSR activities are utilized effectively.

EXPENSE CATEGORY	FY 2022-23 (PKR)
Prime Minister's Flood Relief Fund 2022	5,000,000
Socio Economics Development - Balochistan	1,212,748
SOS Children's Villages	115,650
The Indus Hospital	3,875,000
Others	338,600
Grand Total	10,541,998





Stakeholders Relationship and Engagement

268 Stakeholders Relationship and Engagement

273 Pattern of Shareholding

277 Notice of Annual General Meeting

283 Compliance with BCR Criteria

290 Jama Punji

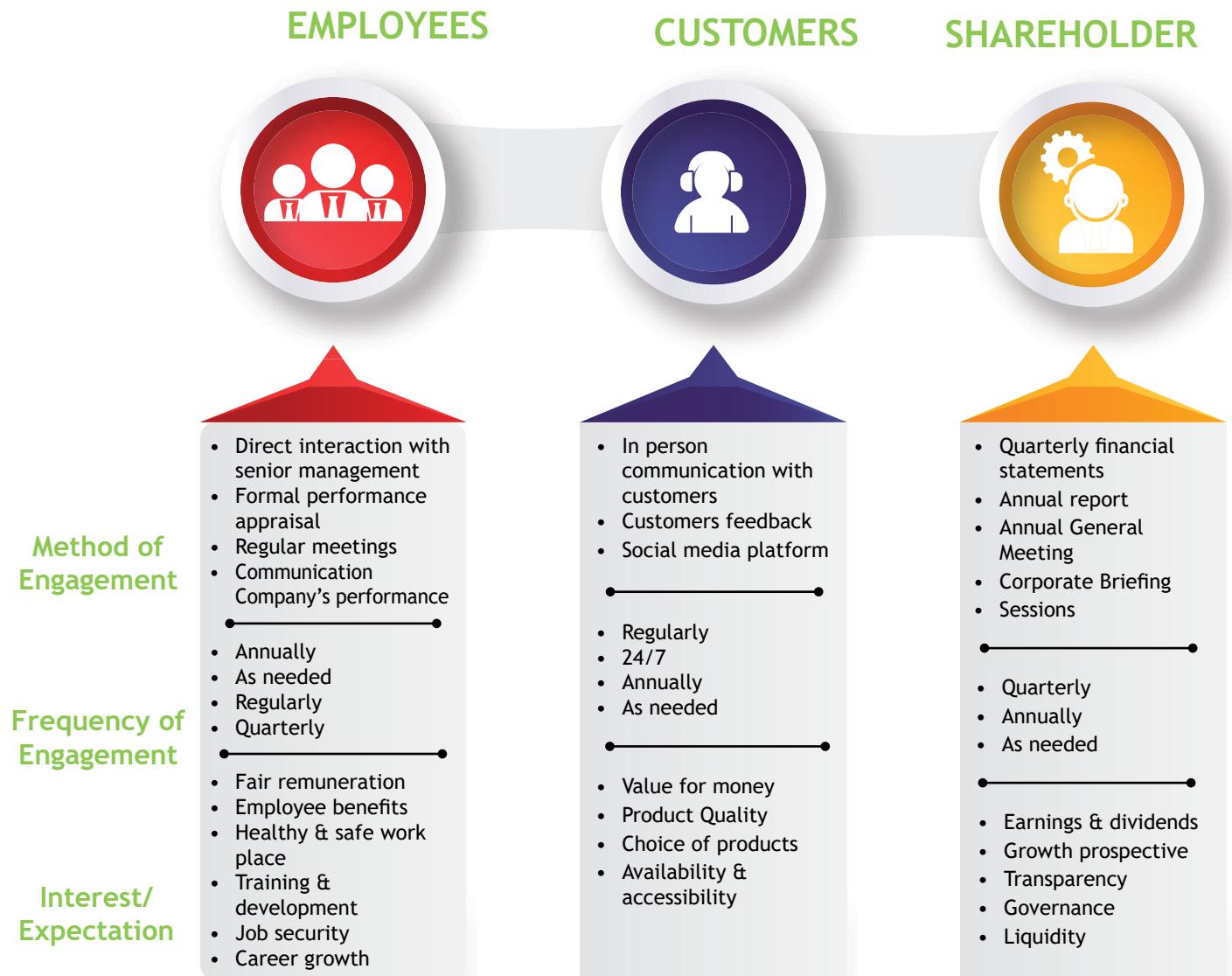
291 Form of Proxy

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.



STAKEHOLDER ENGAGEMENT AND RELATIONSHIP

Corporate Briefing Session (CBS)

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 its corporate briefings i.e., on June 27, 2023. The Chief Executive Officer of the Company updated investors on the Company's operational and financial performance. He 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's message uploaded on the company's website at www.security-papers.com

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 Thursday, October 26, 2023.

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:

- 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

STAKEHOLDER ENGAGEMENT AND RELATIONSHIP

'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

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>.

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 2022-23

Security Papers Limited Share Prices 2022-23			
Period	Price in Rupees		
	High	Low	Average
1st Quarter - July - September 2022	126.90	102.53	114.72
2nd Quarter - October - December 2022	125.00	90.00	107.50
3rd Quarter - January - March 2023	96.96	83.10	90.03
4th Quarter - April - June 2023	99.97	81.55	90.76

STAKEHOLDER ENGAGEMENT AND RELATIONSHIP

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.

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.

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

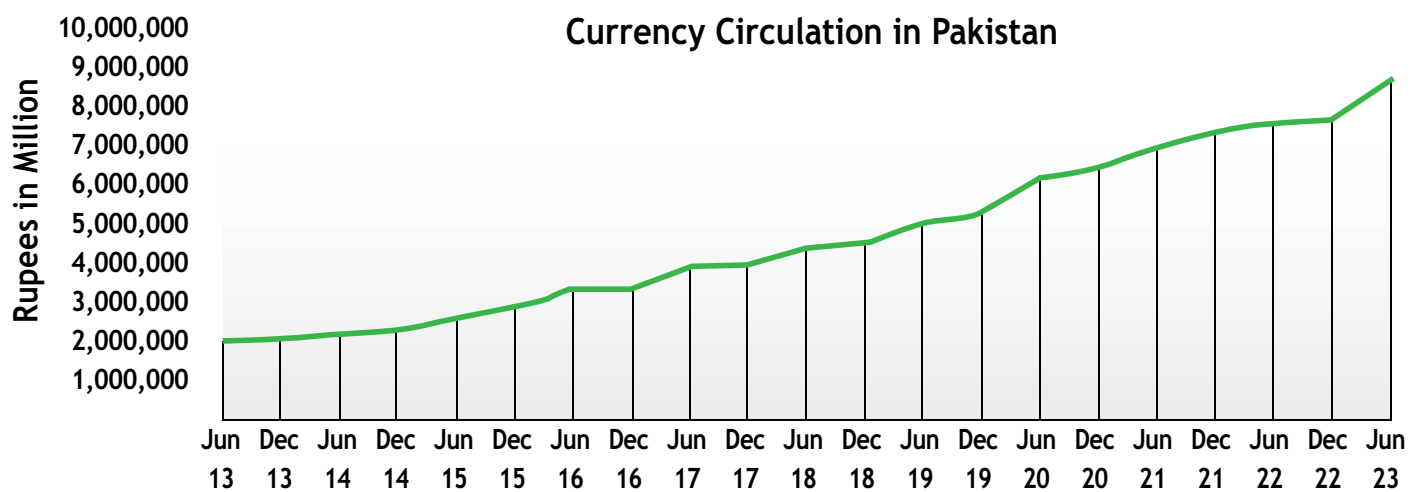
Shareholders may lodge complaints or grievances at the designated area of the Company's website. The link can be accessed via "investors information tab". The Company has developed the 'Investor Relations' section on its website with the following tabs:

- Notice
- Online Complaint Form

STAKEHOLDER ENGAGEMENT AND RELATIONSHIP

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 2023. 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

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2023

NO. OF SHAREHOLDINGS			
NO OF SHAREHOLDERS	FROM	TO	TOTAL SHARES
635	1	100	21,613
484	101	500	154,152
293	501	1,000	240,553
483	1,001	5,000	1,177,529
128	5,001	10,000	963,227
42	10,001	15,000	519,762
23	15,001	20,000	398,659
19	20,001	25,000	419,134
12	25,001	30,000	333,406
3	30,001	35,000	102,626
7	35,001	40,000	254,791
9	40,001	45,000	385,486
4	45,001	50,000	188,270
1	50,001	55,000	53,501
3	55,001	60,000	174,709
3	65,001	70,000	205,981
4	70,001	75,000	292,160
2	80,001	85,000	163,900
1	95,001	100,000	100,000
1	105,001	110,000	108,620
2	115,001	120,000	231,600
1	150,001	155,000	153,000
1	200,001	205,000	203,847
1	210,001	215,000	210,700
1	235,001	240,000	239,541
1	380,001	385,000	383,499
1	395,001	400,000	399,367
1	400,001	405,000	403,900
1	445,001	450,000	445,677
1	570,001	575,000	574,400
1	615,001	620,000	617,801
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	5,022,607
2	5,925,001	5,930,000	11,851,128
1	23,720,001	23,725,000	23,721,739
2,177			59,255,985

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2023

Categories of Shareholders	Number	Shares Held	Percentage
i. Directors, Chief Executive Officer and their Spouse(s) and minor children	2	15,600	0.03
MR. JAMAL NASIM	1	15,000	0.03
MRS. UZMA AIJAZ	1	600	0.00
ii. Executives	-	-	-
iii. Associated Companies, Undertakings and Related Parties	3	35,572,867	60.03
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
iv. NIT and ICP	-	-	-
v. Banks, Development Financial Institutions, Non-Banking Financial Institutions	7	4,292,805	7.24
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
vi. Insurance Companies	7	6,481,144	10.94
E F U GENERAL INSURANCE LIMITED	1	749	0.00
STATE LIFE INSURANCE CORPORATION OF PAKISTAN	2	5,022,607	8.48
PAKISTAN REINSURANCE COMPANY LIMITED	1	928,689	1.57
SALAAM TAKAFUL LIMITED	1	72,100	0.12
SALAAM TAKAFUL LIMITED	1	73,500	0.12
ADAMJEE LIFE ASSURANCE COMPANY LTD-IMF	1	383,499	0.65
vii. Modarabas and Mutual Funds	4	3,230,329	5.45
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1	617,801	1.04
B.R.R. GUARDIAN MODARABA	1	20,300	0.03
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	2,587,428	4.37
CDC - TRUSTEE MCB PAKISTAN DIVIDEND YIELD PLAN	1	4,800	0.01
viii. General Public	2,103	6,979,626	11.75
a. Local	2103	6,964,026	11.75
b. Foreign	-	-	-

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2023

Categories of Shareholders	Number	Shares Held	Percentage
ix. Others	51	2,683,614	4.53
AZEEM SERVICES (PVT.) LTD.	1	1	0.00
N. H. SECURITIES (PVT.) LIMITED	1	26	0.00
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
TRUST SECURITIES & BROKERAGE LIMITED	1	35,600	0.06
PRUDENTIAL SECURITIES LIMITED	1	53	0.00
Y.S. SECURITIES & SERVICES (PVT) LTD.	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
MOHAMAD AMIN BROS (PVT) LIMITED	1	5,000	0.01
TRUSTEES AL-BADER WELFARE TRUST	1	58,809	0.10
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 LTD	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) LTD	1	1,000	0.00
MAPLE LEAF CAPITAL LIMITED	1	1	0.00
MEMON SECURITIES (PVT.) LIMITED	1	35,400	0.06
FEDERAL BOARD OF REVENUE	1	46,468	0.08
PTN HOLDINGS (PRIVATE) LIMITED	1	600	0.00
NCC - PRE SETTLEMENT DELIVERY ACCOUNT	1	100	0.00
CLIKTRADE LIMITED	1	1	0.00
MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES LIMITED	1	116,500	0.20
TRUSTEE-FIRST DAWOOD INV. BANK LTD. & OTHER EMPOLYEEES 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
TRUSTEE PAKISTAN PETROLEUM SENIOR PROVIDENT FUND	1	17,000	0.03
TRUSTEE PAKISTAN PETROLEUM NON-EXECUTIVE STAFF PENSION FUND	1	18,000	0.03

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2023

Categories of Shareholders	Number	Shares Held	Percentage
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	574,400	0.97
Pearl Capital Management (Private) Limited	1	9	0.00
JAHANGIR SIDDIQUI & CO. LTD.	1	83,700	0.14
ASDA SECURITIES (PVT.) LTD.	1	2,500	0.00
FIKREES (PRIVATE) LIMITED	1	1,037	0.00
AYUB CHAUDHRY INVESTMENTS (PVT) LTD.	1	3,998	0.01
R.T. SECURITIES (PVT) LIMITED	1	1,400	0.00
CDC - TRUSTEE PAKISTAN PENSION FUND - EQUITY SUB FUND	1	5,500	0.01
MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES LTD. - MF	1	11,000	0.02
Total	2,177	59,255,985	100.00
x. Shareholders Holding five percent or more Voting Rights in the Listed Company	6	44,849,754	75.69
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-eighth Annual General Meeting of Security Papers Limited, (the “Company”) will be held on Thursday, October 26, 2023, at 10:00 a.m. at Security Papers Limited, Jinnah Avenue, Malir Halt, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2023, together with the Directors’ and Auditors’ Reports thereon.
2. To approve the payment of cash dividend at the rate of Rs 11/- per share i.e., 110% for the year ended June 30, 2023, as recommended by the Board of Directors.
3. To appoint Auditors for the Financial Year 2023-24 and to fix their remuneration.

A notice referred to in sub-section (2) of Section 246 of the Companies Act, 2017 is hereby given to the members that after obtaining consent of the proposed auditors, the Board has recommended the name of A. F. Ferguson & Co., Chartered Accountants as external auditors of the Company in place of retiring auditors KPMG Taseer Hadi & Co., Chartered Accountants.

SPECIAL BUSINESS

4. To consider and, if thought fit, pass, with or without modification(s), the following resolution to enable and authorize Security Papers Limited (the “Company”) to circulate the Annual Report (including the audited financial statements, auditor’s report, Directors’ report, Chairman’s review report) to the members of the Company through QR enabled code and weblink, as permitted by the Securities and Exchange Commission of Pakistan vide its Notification S.R.O. 389(I)/2023 dated March 21, 2023, instead of old technology which has become obsolete for transmission through CD/DVD/USB.

“**RESOLVED THAT** the Company be and is hereby authorized to circulate its annual report, including annual audited financial statements, auditor’s report, Directors’ report, Chairman’s review and other reports contained therein, to the members of the Company through QR enabled code and weblink, in accordance with S.R.O. 389(I)/2023 issued by the Securities and Exchange Commission of Pakistan, and that the practice of circulation of the annual report through CD / USB be discontinued.”

STATEMENT OF MATERIAL FACTS UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017 RELATING TO THE SPECIAL BUSINESS TO BE TRANSACTED AT THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF THE COMPANY TO BE HELD ON OCTOBER 26, 2023.

Agenda Item 4 - Transmission of Annual Report Including Notice of General Meetings

The Securities and Exchange Commission of Pakistan has allowed listed Companies, through its S.R.O No.389(I)/2023 dated March 21, 2023 to circulate the Audited Annual Financial Statements to their Members through QR-enabled code and weblink instead of transmitting the Audited Annual Financial Statements through CD/DVD/USB. The Company shall circulate Audited Annual Financial Statements through email address in case it has been provided by the member to the Company, and upon demand, supply hard copies of the Audited Annual Financial Statements to the shareholders free of cost upon receipt of a duly completed Request Form, which may be obtained from the Company’s Website i.e., <http://www.security-paper.com>

None of the Directors of the Company have any direct or indirect interest in this special business.

NOTICE OF ANNUAL GENERAL MEETING

5. To consider and if thought fit, to pass the following as ordinary resolution:

“RESOLVED that the Directors’ remuneration for attending meetings of the Board /Committee(s) of the Board be and is hereby increased from Rs 160,000/= to Rs 200,000/=.”

STATEMENT OF MATERIAL FACTS UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017 RELATING TO THE SPECIAL BUSINESS:

The existing amount of Directors’ remuneration for attending the meetings of the Board / Committee(s) of the Board is Rs 160,000/= per meeting. The said amount had become inadequate and did not compensate for the increase in responsibilities of the Directors. The proposed resolution seeks to revise the existing fee from Rs 160,000/= to Rs 200,000/= per meeting.

The Directors are interested in the Business to the extent of their remuneration

BY ORDER OF THE BOARD



(RIZWAN UL HAQ KHAN)
COMPANY SECRETARY

KARACHI,

SEPTEMBER 13, 2023

NOTES:

1. Closure of Share Transfer Books

- i. The Share Transfer Books of the Company will remain closed from October 17, 2023, to October 26, 2023 (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, 2023, 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

- ii. Members whose names are appearing in the register of members as of October 16, 2023, are entitled to attend and vote at the meeting.
- iii. A member entitled to attend and vote at the above meeting may appoint a proxy to attend and vote on his/her 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.

NOTICE OF ANNUAL GENERAL MEETING

- iv. The proxy form should be witnessed by two persons whose names, addresses, and CNIC numbers shall be mentioned on the form.
- v. 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.
- vi. In the case of a corporate entity, the Board of Directors' resolution/Power of Attorney with specimen signature should be submitted along with Proxy Form to the Company.
- vii. Shareholders holding shares in physical form are requested to notify the change of their addresses (if any) and provide a 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.
- viii. 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 the 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 is 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 a non-availability copy of valid CNIC (for individuals) and National Tax Number (for a corporate entity).
- iii. Accordingly, shareholders who have not yet submitted a 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. Updation of shareholder addresses / other particulars

- i. Members holding shares in physical form are requested to promptly notify Shares Registrar of the Company of any change in their addresses or any other particulars. Shareholders maintaining their shares in electronic form should have their address updated with their participant or CDC Investor Accounts Service.
- ii. Further, to comply with requirements of section 119 of the Companies Act, 2017 and Regulation 19 of the Companies (General Provisions and Forms) Regulations, 2018, all CDC and physical shareholders are requested to have their email address and cell phone numbers incorporated / updated in their physical folio or CDC account, as the case may be.

5. Deduction of Income Tax from Dividends under Section 150 of 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:
 - Persons appearing in Active Taxpayers List (ATL) ---- 15%.
 - Persons not appearing in Active Taxpayers (ATL) ---- 30%
- ii. 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

NOTICE OF ANNUAL GENERAL MEETING

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%.

- iii. 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).
- iv. Withholding Tax will be determined separately on 'person names appearing on ATL/person 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.
- v. 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)

- vi. 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 the Principal shareholder and Joint Holder(s)
- vii. 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 a valid Tax Exemption Certificate to our Share Registrar before book closure otherwise tax will be deducted on dividend as per applicable rates.
- viii. For any query/problem/information, the investors may contact the Company Secretary at phone: 021-99248285 and email address comsec@security-papers.com and/or FAMCO Associates (Pvt.) Ltd. at phone 021-34380101-5 and email address: info.shares@famco.com.pk.
- ix. 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 the company name and their respective folio numbers.

6. Intimation for Non-Resident Individual Shareholders

- i. Non-Resident individual shareholders shall submit a declaration of undertaking with a copy of a valid passport under the definition contained in Section 82 of the Income Tax Ordinance, 2001 for determination of residential status for the purposes of tax deduction on dividends 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 at the latest by October 16, 2023. A copy of the declaration form can be downloaded at the Shares Registrar website: <https://famco.com.pk/share-registration-services/>

7. 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 dividends to its shareholders only through electronic mode directly into their bank account designated by the entitled shareholders instead of issuing physical dividend warrants.

NOTICE OF ANNUAL GENERAL MEETING

- 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 dividends, if the necessary information is not provided by shareholders.
- iv. For the convenience of shareholders, the e-Dividend Mandate Form is available on the Company's website: <http://www.security-papers.com>.

8. 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 acknowledgment due on the last known addresses of the shareholders to submit their claims within 90 days to the Company. In compliance with 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.
- 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.

9. 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 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.

10. Placement of Financial Accounts on the 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.

11. Consent for Video Link Facility

- i. 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 for attending the meeting.
- ii. 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:

NOTICE OF ANNUAL GENERAL MEETING

- iii. 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 the meeting, the Company shall arrange video link facility in that city subject to availability of such facility in that city.
- iv. The Company will intimate members regarding the venue of the video link facility at least 5 days before the date of the general meeting along with complete information necessary to enable them to access such facility.
- v. 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 _____.

12. Zakat Exemption

- i. To claim exemption from compulsory deduction of Zakat, shareholders are requested to submit a notarized copy of Zakat Declaration Form “CZ-50” on NJSP of Rs. 50/- to the Shares Registrar, before the first day of book closure.

BEST CORPORATE REPORT (BCR) CRITERIA

1	ORGANIZATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT	Page No.
1.01	Mission, vision, code of conduct, culture, ethics and values	13,14 & 67
1.02	Principal business activities and markets	5-6 & 143
1.03	Geographical location and address of all business	7
1.04	Ownership, operating structure and relationship with group companies	273-276
1.05	Disclosure of beneficial (including indirect) ownership and flow chart of group	78, 273-276
1.06	Organization chart indicating functional and administrative reporting	16-17
1.07	Position of the reporting organization within the value chain	56
1.08	Significant factors effecting the external environment and the organization's response	54-55
1.09	The legitimate needs, interests of key stakeholders and industry trends.	268-272
1.10	SWOT Analysis of the company	53
1.11	Competitive landscape and market positioning	57
1.12	The legislative and regulatory environment in which the organization operates	75
1.13	The political environment where the organization operates and other countries that may affect the ability of the organization to implement its strategy.	54
1.14	History of major events	8-9
1.15	Details of significant events occurred during the year and after the reporting period	10-11
2	STRATEGY AND RESOURCE ALLOCATION	Page No.
2.01	Short, medium and long-term strategic objectives and strategies in place to achieve those strategic objectives	91-92
2.02	Resource allocation plans to implement the strategy	93
2.03	The capabilities and resources of the Company to provide sustainable competitive advantage and as result value created by the business.	90, 92-93 & 206, 108
2.04	The effects of the given factors on company strategy and resource allocation: technological changes, ESG reporting and challenges, initiatives taken by the Company in promoting and enabling innovation and resource shortages (if any)	89
2.06	The company's sustainability strategy with measurable objectives/ targets	206-207
2.06	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.	69 & 88-89
2.07	Key performance indicators (KPIs)	90
2.08	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.	39, 92 & 193

BEST CORPORATE REPORT (BCR) CRITERIA

3	RISKS AND OPPORTUNITIES	Page No.
3.01	Key risks and opportunities effecting availability, quality and affordability of Capitals	53, 100
3.02	A statement from Board for determining the following: a) company's level of risk tolerance by establishing risk management policies. b) the company has carried out a robust assessment of the principal risks facing the company, including those that would threaten the business model, future performance and solvency or liquidity.	39, 96-102
3.03	Risk Management Framework including risk management methodology.	96-99
3.04	Specific steps being taken to mitigate or manage key risks or to create value from key opportunities by identifying the associated strategic objectives, strategies, plans, policies, targets and KPIs.	100
3.05	Disclosure of a risk of supply chain disruption due to an environmental, social or governance incident and company's strategy for monitoring and mitigating these risks (is any).	101
4	SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY	Page No.
4.01	Board's statement for adoption of best practices for CSR	39, 75 & 265
4.02	Board's statement about the company's strategic objectives on ESG (environmental, social and governance) / sustainability reporting	30, 68, 215
4.03	A Chairman's overview on how the company's sustainable practices can affect their financial performance	29-30
4.04	Highlights of the entity's performance, policies, initiatives and plans in place relating to the various aspects of sustainability and corporate social responsibility	203-213
4.05	Status of adoption/compliance of the Corporate Social Responsibility (Voluntary) Guidelines, 2013 issued by the SECP or any other regulatory framework as applicable.	75, 265
4.06	Certifications acquired and international standards adopted for best sustainability and CSR practices	258-260
5	GOVERNANCE	
5.01	Composition of the Board:	37 & 69
	a) Leadership structure of those charged with governance.	69
	b) Name of independent directors indicating justification for their independence.	22, 25, 27, 61, 68
	c) Diversity in the board i.e. competencies, requisite knowledge & skills, and experience.	70-72
	d) Profile of each director including education, experience and involvement/engagement of in other entities as CEO, Director, CFO or Trustee etc.	22-27
	e) No. of companies in which the executive director of the reporting organization is serving as non-executive director.	27
5.02	A brief description about role of the Chairman and the CEO	78 & 79
5.03	Review Report by the Chairman of the Company	29
5.04	A statement of how the Board operates	68-74

BEST CORPORATE REPORT (BCR) CRITERIA

5.05	Annual evaluation of performance, along with description of criteria used for the members of the Board and its committees, CEO and the Chairman	74-75
5.06	Disclosure if the Board's Performance evaluation is carried out by an external consultant once in three years	74
5.07	Details of formal orientation courses for Directors	74
5.08	Directors' Training Program (DTP) attended by Directors	74
5.09	External oversight of various functions like System audit/Internal controls	83-84
5.10	a) Approved policy for related party transactions.	76
	b) Details of all related parties' transactions, along with the basis of relationship describing common directorship and percentage of shareholding.	177, 274
	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.	76
	d) Disclosure of director's interest in related party transactions.	177
	e) In case of conflict, disclosure	77
5.11	Disclosure of Board's Policy on the following significant matters:	
	a) Governance of risk and internal controls.	97
	b) Diversity (including gender), any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives.	76
	c) Disclosure of director's interest in significant contracts and arrangements.	77
	d) Remuneration of non-executive directors including independent directors for attending board meetings and general meetings.	74
	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.	75
	g) Board meetings held outside Pakistan.	73
	h) Human resource management including preparation of succession plan.	76-77
	i) Social and environmental responsibility.	77-78
	j) Communication with stakeholders.	78
	k) Investors' relationship and grievances.	76
	l) Employee health, safety and protection.	79
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.	76	
n) Safety of records of the company.	76	
o) Providing reasonable opportunity to the shareholder for participation in the AGM.	269	
5.12	Board review statement of the organization's business continuity plan or disaster recovery plan.	80 & 84

BEST CORPORATE REPORT (BCR) CRITERIA

5.13	Compliance with the Best Practices of Code of Corporate Governance	78
5.14	Shares held by Sponsors / Directors / Executives	274-276
5.15	Salient features of TOR and attendance in meetings of the Board Committees (Audit, Human Resource, Nomination and Risk management)	69-72
5.16	Timely Communication	79
5.17	Audit Committee Report	64
5.18	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	79
5.19	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;	81-82
	b) management support in the effective implementation and continuous updation;	82
	c) details about user training of ERP software;	82
	d) how the company manages risks or control risk factors on ERP projects;	83
e) how the company assesses system security, access to sensitive data and segregation of duties.	83	
5.20	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
5.21	Chairman's significant commitments and any changes thereto	29
5.22	Disclosure of impact of Government policies on Company's business and performance	75
6	ANALYSIS OF THE FINANCIAL INFORMATION	Page No.
6.01	Analysis of the financial and non-financial performance using both qualitative and quantitative indicators	112-118
6.02	Analysis of financial statements, Ratios, DuPont, Cash Flow & EVA	112-117, 119, 126-128
6.03	Vertical and horizontal analysis of Balance Sheet, Profit and Loss Account and summary of Cash Flow Statement for last 6 years.	109-111
6.04	Graphical presentation of 6.02 and 6.03 above	118 & 123
6.05	Any significant change in accounting policies, judgements, estimates and assumptions with rationale.	146
6.06	Information about defaults in payment of any debts and reasons thereof period	38
6.07	Methods and assumptions used in compiling the indicators	124 & 143
6.08	Cash Flow Statement based on Direct Method	127
6.09	Segmental review of business performance	189

BEST CORPORATE REPORT (BCR) CRITERIA

6.10	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	114 & 129
6.11	Brief description and reasons for not declaring dividend	N/A
6.12	CEO presentation video on the organization's website	269
7	BUSINESS MODEL	Page No.
7.1	Business model including inputs, business activities, outputs and outcomes	52
7.2	Explanation of any material changes in the entity's business model during the year.	92
8	Disclosures on IT Governance and Cybersecurity	Page No.
8.1	The Board responsibility statement on the evaluation and enforcement of legal and regulatory implications of cyber risks and the responsibilities of the board in case of any breaches.	82-84
8.2	Disclosure related to IT governance and cybersecurity programs, policies and procedures and industry specific requirements for cybersecurity and strategy in place.	82-84
8.3	Disclosures about how cybersecurity fits into the board's risk oversight function and how the board is engaging with management on this issue.	82-84
8.4	Disclosure that at least one board-level committee is charged with oversight of IT governance and cybersecurity matters and how the board administers its IT risk oversight function related to these risks.	82-84
8.5	Disclosure about Company's controls and procedures about an "early warning system" that enables the company to identify, assess, address, make timely disclosures and timely communications to the board about cybersecurity risks and incidents.	82-84
8.6	Disclosure of policy related to independent comprehensive security assessment of technology environment, including third party risks and when last such review was carried out.	82-84
8.7	Disclosure about resilient contingency and disaster recovery plan in terms of dealing with a possible IT failure or cyber breach and details about company's cyber insurance.	82-84
8.8	Disclosure of advancement in digital transformation on how the organization has leveraged 4.0 Industrial revolution (RPA, Block Chain, AI, Cloud Computing etc.) to improve transparency, reporting and governance.	84
8.9	Disclosure about education and training efforts of the Company to mitigate cybersecurity risks.	84
9	FUTURE OUTLOOK	Page No.
9.01	Forward looking statement	192-193
9.02	Explanation as to how the performance of the company meets the forward Looking Disclosures made in the previous year.	
9.03	Status of the projects disclosed in the forward-looking statement in the previous year	
9.04	Sources of information and assumptions used for projections / forecasts	

BEST CORPORATE REPORT (BCR) CRITERIA

10	STAKEHOLDERS RELATIONSHIP AND ENGAGEMENT	Page No.
10.01	Stakeholders' engagement policy of the company and how the company has identified its stakeholders.	268, 271
10.02	Stakeholders' engagement process and the frequency of such engagements	268
10.03	Measures to encourage the minority shareholders to attend the general meetings	269-270
10.04	Investors' Relations section on the corporate website	270
10.05	Issues raised in the last AGM, decisions taken and their implementation status	269
10.06	Statement of value added and its distribution with graphical presentation	108
10.07	Steps board has taken to solicit and understand the views of stakeholders through corporate briefing sessions and disclosure of brief summary of Analyst briefing conducted during the year.	269
10.08	Redressal of investors' complaints	27 & 76
11	STRIVING FOR EXCELLENCE IN CORPORATE REPORTING	
11.01	Board's responsibility statement on full compliance of financial accounting and reporting standards as applicable in Pakistan (i.e. International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB)).	39
11.02	Adoption and statement of adherence with the International Integrated Reporting Framework (IR)	104-105
11.03	BCR criteria cross referred with page numbers of the annual report.	283-289
12	Framework for Annual Reporting	
12.01	Fair value of Property, Plant and Equipment	N/A
12.02	Segment analysis of revenue etc	189
12.03	Reconciliation of weighted average number of shares for calculating EPS and diluted EPS	174
12.04	Particulars of significant / material assets and immovable property including location and area of land	154-159
12.05	Disclosure of product wise revenue	N/A
12.06	Disclosure of discounts on revenue	N/A
12.07	Sector wise analysis of deposits and advances	N/A
12.08	Complete set of financial statements (Balance sheet, Income statement & Cash flow) for Islamic banking operations	N/A
12.09	Status for adoption of Islamic Financial Accounting Standards (IFAS) issued by the ICAP	105
12.10	Summary of significant transactions and events that have affected the Company's financial position and performance during the year	9, 193
12.11	Forced sale value in case of revaluation of Property, Plant and Equipment or investment property	N/A
12.12	Distribution of shareholders	273
12.13	Particulars of major foreign shareholders, other than natural person, holding more than 5% of paid up capital in the Company in Pattern of Shareholding	274
12.14	Particulars where Company has given loans or advances or has made investments in foreign companies or undertakings	N/A

BEST CORPORATE REPORT (BCR) CRITERIA








12.15	Accounts Receivable in respect of Export Sales - Name of Company or undertaking in case of related party and in case of default brief description of any legal action taken against the defaulting parties	N/A
12.16	Treasury shares in respect of issued share capital of a Company	N/A
12.17	In describing legal proceedings, under any court, agency or government authority, whether local or foreign, include name of the court, agency or authority in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis of the proceeding and the relief sought	164-165
12.18	Management assessment of sufficiency of tax provision made in the Company's financial statements shall be stated along with comparisons of tax provision as per accounts vis a vis tax assessment for last three years	170-173
12.19	Income tax reconciliation as required by IFRS and applicable tax regime for the year	170
12.20	In respect of loans and advances, other than those to the suppliers of goods or services, the name of the borrower and terms of repayment if the loan or advance exceeds rupees one million, together with the collateral security, if any	N/A
12.21	Disclosure about Human Resource Accounting	162-163, 174-177 & 189
12.22	In financial statements issued after initial or secondary public offering(s) of securities or Issuance of debt instrument(s) implementation of plans as disclosed in the Prospectus/offering document with regards to utilization of proceeds raised till full implementation of such plans	N/A
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
12.24	Standards, amendments and interpretations adopted during the current year along with their impact on the Company's financial statements	143-144
12.25	Standards, amendments and interpretations, not yet effective and not adopted along with their impact on the Company's financial statements	144-146



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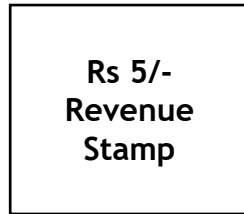
I/We _____ of _____
 _____ being member(s) of SECURITY PAPERS LIMITED and holder of _____ Ordinary Shares as per
 Share Register Folio/CDC Account No. _____ hereby appoint _____ Folio/CDC
 Account No. _____ of _____ CNIC No. or Passport No. _____ or failing whom
 _____ Folio/CDC Account No. _____ of _____ 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 58th ANNUAL GENERAL MEETING of the Company to be held on Thursday, October 26, 2023 at 10:00
 am and at any adjournment thereof.

Signed this _____ day of _____ 2023

Witnesses: 1. Signature _____
 Name: _____
 Address: _____
 CNIC or Passport No. _____

2. Signature _____
 Name: _____
 Address: _____
 CNIC or Passport No. _____

Signature _____
 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, 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 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 پیپر زلمینٹڈ کے ممبر اور حامل..... عدد عام حصص بمطابق شیئر 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 جمعرات 26 اکتوبر 2023 کو صبح دس بجے یا کسی ملتوی شدہ تاریخ کو منعقد ہونے والے 58 ویں سالانہ اجلاس میں اپنی جانب سے شرکت اور رائے دہی کے لیے اپنا پروکسی مقرر کرتا ہوں / کرتے ہیں۔

دستخط..... بتاریخ..... 2023

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 اثرائتی دستخط کرے گا۔ ممبر کارپوریشن 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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