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QUARTERLY REPORT |
MARCH 31, **2024**



CONTENTS

Company information	02
<hr/>	
Directors' Report	04
<hr/>	
Condensed interim statement of financial position	06
<hr/>	
Condensed interim statement of profit or loss (un-audited)	07
<hr/>	
Condensed interim statement of other comprehensive income (un-audited)	08
<hr/>	
Condensed interim statement of changes in equity (un-audited)	09
<hr/>	
Condensed interim statement of cash flows (un-audited)	10
<hr/>	
Notes to and forming part of the condensed interim financial information (un-audited)	11
<hr/>	
Attention shareholders	22



COMPANY INFORMATION

BOARD OF DIRECTORS

Chairman

Mr. Mohammad Aftab Manzoor - Non-executive

Directors

Mr. Jamal Nasim - Non-executive
* Mr. Hamid Bazargan - Non-executive
Ms. Figen Caliskan - Non-executive
Hafiz Mohammad Yousaf - Non-executive
Mr. Shafqaat Ahmed - Non-executive
Mr. Munir Ahmed - Non-executive – Independent
Mr. Arshad Mehmood Bhatti - Non-executive

Chief Executive Officer

Mr. Imran Qureshi - Executive

BOARD AUDIT COMMITTEE

Mr. Munir Ahmed - Chairman
Mr. Jamal Nasim - Member
* Mr. Hamid Bazargan - Member
Hafiz Mohammad Yousaf - Member
Mr. Shafqaat Ahmed - Member
Mr. Yasir Ali Quraishi - Secretary

BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Mohammad Aftab Manzoor - Member
Mr. Jamal Nasim - Member
Mr. Munir Ahmed - Member
Mr. Yasir Ali Quraishi - Secretary

ACTING CHIEF FINANCIAL OFFICER - Mr. Mudassir Ali Khan

COMPANY SECRETARY & LEGAL COUNSEL - Mr. Yasir Ali Quraishi

BANKERS

Bank Al Habib Limited
National Bank of Pakistan
Meezan Bank Limited
Habib Metropolitan Bank Limited
Bank Alfalah Limited
Khushhali Microfinance Bank Limited
MIB Bank Limited

AUDITORS & TAX CONSULTANTS

A. F. Ferguson & Co.
Chartered Accountants



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LEGAL ADVISORS

Mohsin Tayebaly & Co.
Advocates & Legal Consultants

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** Subsequent to quarter ended 31 March 2024, the Industrial Development and Renovation Organization of Iran vide its letter dated 23 January 2024 has nominated Mr. Hamid Bazargan in place of Mr. Ahmad Hatami Yazd. However, his formal appointment for directorship of the Company is currently under process.



DIRECTORS' REPORT

The Directors are pleased to present the un-audited financial information for the nine months period ended March 31, 2024.

BUSINESS AND PERFORMANCE REVIEW

The Company yet again delivered outstanding performance in the current period compared to same period last year owing to a number of significant initiatives taken by the Company in both commercial and operational areas that have positively impacted the business operations and profitability.

Net Sales at Rs 5,297 million were 46% higher compared to Rs 3,616 million same period last year as the Company improved pricing both at the key customer as well as other customers post successful pricing negotiations. The sale volumes were at 3070 tons as against 3038 same period last year whereas production was 3157 tons vs 3177 tons same period last year.

The Company reported gross profit of Rs 1,483 million as against Rs 628 million in the corresponding period of preceding year showing an increase of 136% (Rs 855 million) which was achieved owing to commercial reasons detailed above along with improvement in operational efficiencies and strong focus on input costs. Other income reported at Rs 768 million as compared to 477 million same period last year has seen significant improvement as the Company continues to reap benefits of timely and successful investments portfolio revamp.

The profit before taxation during the period under review stood at Rs 1,756 million against Rs 662 million last year which is 165% higher emanating from all efforts and initiatives detailed above. Profit after taxation stood at Rs 1,083 million was 151% higher than Rs 431 million in the same period last year more than doubling the earnings per share which is Rs 18.28 compared to Rs 7.27 same period last year. This growth is reflective of quarterly price adjustments to the tune of Rs 530 million with key customer due to streamlining of the arrangement of price adjustment from yearly basis to quarterly basis, which became effective in the current year.

The Securities and Exchange Commission of Pakistan (SECP) vide its order dated January 26, 2024 has determined the Company as Public Sector Company (PSC). The Company contests the adjudication and has already challenged the determination in an appeal before the appellate bench, SECP. The Company is of the view that it does not fall in the category of the Public Sector Company, as it is structured as a Public Listed Company created in pursuance of a tripartite agreement between Pakistan, Iran and Turkey. Also, a Constitutional Petition No. D-953 of 2024 has been filed by the Company before the Honorable High Court of Sindh ("SHC") and the SHC vide its Order dated February 23, 2024, has restrained Respondent No. 3 (i.e. SECP) from taking any coercive action against the Company pursuant to the Order dated January 26 2024, until such time that the said appeal or the interim application therein is adjudicated upon.



DIRECTORS' REPORT

FUTURE PROSPECTS

In spite of the challenging economic conditions, the Company is confident that with the right strategy and timely actions the operational and financial performance will remain robust. Subsequent to the technical consultancy agreement with a leading European Security Paper Company, the company is in the process of benchmarking its operations with leading European plants to come up with a manufacturing excellence program which results in efficiency and cost improvements.

With recent announcement of the State Bank of Pakistan that a new bank notes series will be launched in near future, the company is working in close coordination with the key stakeholders to effectively and positively contribute to this initiative which may also require certain modifications at the plant. Also, the consultant is preparing a scope for balancing and modernization of the plant subsequent to which an expansion decision will be taken keeping in view critical factors like end product demand projections.

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

On behalf of the Board of Directors

Imran Qureshi
Chief Executive Officer

Jamal Nasim
Director

Karachi
Dated: April 29, 2024



Condensed Interim Statement of Financial Position

As at March 31, 2024

		March 31, 2024 (Unaudited)	June 30, 2023 Audited
ASSETS			
	Note	----- (Rupees in '000) -----	
Non-current assets			
Property, plant and equipment	5	1,735,970	1,718,372
Right-of-use assets	5.4	-	33,689
Intangible assets		12,371	13,920
Long-term investments	6	2,861,430	2,903,729
Lease deposits		-	7,648
		<u>4,609,771</u>	<u>4,677,358</u>
Current assets			
Stores, spares and loose tools		273,076	211,427
Stock-in-trade		1,130,245	801,049
Trade debts - considered good		1,246,057	1,565,394
Loans, advances, deposits, prepayments and other receivables		102,119	92,652
Interest accrued		95,276	108,183
Short-term investments	7	2,490,583	1,996,672
Cash and bank balances		92,730	403,551
		<u>5,430,086</u>	<u>5,178,928</u>
TOTAL ASSETS		<u>10,039,857</u>	<u>9,856,286</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital 70,000,000 (June 30, 2023: 70,000,000) ordinary shares of Rs. 10 each		<u>700,000</u>	<u>700,000</u>
Issued, subscribed and paid-up capital 59,255,985 ordinary shares of Rs.10 each		<u>592,559</u>	<u>592,559</u>
Revenue reserves			
General reserves		6,246,411	5,951,267
Unappropriated profits		936,127	948,176
		<u>7,182,538</u>	<u>6,899,443</u>
Total shareholders' equity		<u>7,775,097</u>	<u>7,492,002</u>
Non-current liabilities			
Lease liabilities		-	27,739
Staff retirement benefits		80,837	55,410
Deferred taxation - net		275,001	135,743
		<u>355,838</u>	<u>218,892</u>
Current liabilities			
Trade and other payables		1,156,545	1,456,635
Accrued mark-up		31	8
Unclaimed dividend		23,470	4,510
Unpaid dividend		536,431	459,384
Current portion of lease liabilities		-	7,513
Taxation - net		192,445	217,342
		<u>1,908,922</u>	<u>2,145,392</u>
Total liabilities		<u>2,264,760</u>	<u>2,364,284</u>
TOTAL EQUITY AND LIABILITIES		<u>10,039,857</u>	<u>9,856,286</u>

Contingencies and commitments

8

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

IMRAN QURESHI
Chief Executive Officer

JAMAL NASIM
Director

MUDASSIR ALI KHAN
Acting Chief Financial Officer



Condensed Interim Statement of Profit or Loss (Unaudited)
For the nine months ended March 31, 2024

	Note	Nine Months Ended		Three Months Ended	
		March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
(Rupees in '000)					
Sales - net	9	5,297,307	3,616,017	1,810,488	1,083,705
Cost of sales		(3,814,060)	(2,988,143)	(1,303,551)	(991,894)
Gross profit		1,483,247	627,874	506,937	91,811
Administrative expenses		(359,069)	(266,138)	(131,353)	(74,981)
Other income		768,017	476,613	244,024	159,776
Other expenses		(131,470)	(170,486)	(43,702)	(75,439)
Finance costs		(4,346)	(6,023)	(1,015)	(3,138)
Profit before taxation		1,756,379	661,840	574,891	98,029
Taxation					
- Current		(583,185)	(233,389)	(195,706)	(30,319)
- Prior		49,111	3,257	-	-
- Deferred		(139,254)	(652)	(42,248)	27,128
		(673,328)	(230,784)	(237,954)	(3,191)
Profit after taxation		1,083,051	431,056	336,937	94,838
----- Rupees -----					
Earnings per share - basic and diluted		18.28	7.27	5.69	2.13

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

Imran Qureshi

IMRAN QURESHI
Chief Executive Officer

Jamal Nasim

JAMAL NASIM
Director

Mudassir Ali Khan

MUDASSIR ALI KHAN
Acting Chief Financial Officer



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**Condensed Interim Statement of
Comprehensive Income (Unaudited)
For the nine months ended March 31, 2024**

	Six months ended		Three Months Ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	----- (Rupees in '000) -----			
Profit for the period	1,083,051	431,056	336,937	94,838
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>1,083,051</u>	<u>431,056</u>	<u>336,937</u>	<u>94,838</u>

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

IMRAN QURESHI
Chief Executive Officer

JAMAL NASIM
Director

MUDASSIR ALI KHAN
Acting Chief Financial Officer



Condensed Interim Statement of Changes in Equity (Unaudited)
For the nine months ended March 31, 2024

Note	Issued subscribed and paid-up share capital	Revenue Reserves			Total equity	
		General reserves	Unappropriated Profit	Total reserves		
----- Rupees in '000 -----						
	Balance as at June 30, 2022 (Audited)	592,559	5,594,837	950,207	6,545,044	7,137,603
	Total comprehensive income for the period					
	Profit after taxation	-	-	336,218	336,218	336,218
	Total comprehensive income for the period	-	-	336,218	336,218	336,218
	Transactions with owners					
	Final cash dividend for the year ended June 30, 2022 at the rate of Rs. 10 per share	-	-	(592,559)	(592,559)	(592,559)
	Transfer to general reserves 14.1	-	356,430	(356,430)	-	-
	Balance as at March 31, 2023 (Un-audited)	592,559	5,951,267	337,436	6,288,703	6,881,262
	Balance as at June 30, 2023 (Audited)	592,559	5,951,267	948,176	6,899,443	7,492,002
	Total comprehensive income for the period					
	Profit after taxation	-	-	1,083,051	1,083,051	1,083,051
	Total comprehensive income for the period	-	-	1,083,051	1,083,051	1,083,051
	Transactions with owners					
	Final cash dividend for the year ended June 30, 2023 at the rate of Rs. 11 per share	-	-	(651,816)	(651,816)	(651,816)
	Interim cash dividend for the period ended December 31, 2023 at the rate of Rs.2.50 per share	-	-	(148,140)	(148,140)	(148,140)
	Transfer to general reserves 14.1	-	295,144	(295,144)	-	-
	Balance as at March 31, 2024 (Unaudited)	592,559	6,246,411	936,127	7,182,538	7,775,097

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

IMRAN QURESHI
Chief Executive Officer

JAMAL NASIM
Director


MUDASSIR ALI KHAN
Acting Chief Financial Officer



Condensed Interim Statement of Cash Flows (Unaudited)
For the nine months ended March 31, 2024

	Note	Nine Months Ended	
		March 31, 2024	March 31, 2023
----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	10	803,952	(147,477)
Lease deposits recovered / (paid)		7,648	(2,153)
Taxes paid		(558,971)	(312,250)
Finance cost paid		(4,323)	(6,131)
Staff Retirement benefits paid		-	(22,932)
Net cash generated / (used in) from operating activities		248,306	(490,943)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(178,687)	(69,897)
Acquisition of intangible assets		(509)	(795)
Proceeds from sale of property, plant and equipment		2,157	2,067
Dividend received from mutual funds		-	1,728
Mark-up received		366,905	319,509
Gain on redemption of mutual Fund		-	1,918
Investments made during the period		(1,159,959)	(2,492,604)
Investments matured during the period		288,000	3,088,991
Gain realised on reverse repo transactions		299,924	-
Net cash (used) / generated from investing activities		(382,169)	850,917
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of lease liabilities		(4,845)	(9,575)
Dividend paid		(703,949)	(486,740)
Net cash used in financing activities		(708,794)	(496,315)
Net decrease in cash and cash equivalents during the period		(842,657)	(136,341)
Cash and cash equivalents at beginning of the period		2,095,547	758,182
Cash and cash equivalents at end of the period	11	1,252,890	621,841

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.


IMRAN QURESHI
Chief Executive Officer


JAMAL NASIM
Director


MUDASSIR ALI KHAN
Acting Chief Financial Officer



**Notes to and Forming Part of the
Condensed Interim Financial Statements (Unaudited)
For the nine months ended March 31, 2024**

1 THE COMPANY AND ITS OPERATION

- 1.1** 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 Pakistan Stock Exchange Limited.

The principal activity of the Company is manufacturing of specialised paper for banknote and non-banknote security documents.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

- 2.1** These condensed interim financial statements of the Company for the nine months period ended March 31, 2024 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

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

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34 or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

- 2.2** These condensed interim financial statements of the Company do not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended June 30, 2023. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

- 2.3** These condensed interim financial statements are presented in Pakistani rupees which is also the Company's functional currency and all financial information presented has been rounded off to the nearest thousand, except otherwise stated.



2.4 The comparative statement of financial position presented in these condensed interim financial statements as at June 30, 2023 has been extracted from the audited financial statements of the Company for the year ended June 30, 2023, whereas the comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the nine months period ended March 31, 2023 have been extracted from the unaudited condensed interim financial statements for the period then ended.

2.5 These condensed interim financial statements are being submitted to the shareholders as required by listing regulations of Pakistan Stock Exchange vide section 237 of the Companies Act, 2017.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are same as those applied in the preparation of the audited annual financial statements for the year ended June 30, 2023.

3.2 Standards, interpretations and amendments to the accounting and reporting standards as applicable in Pakistan that are effective in the current period.

There are certain new and amended standards, interpretations and amendments that became mandatory for the Company during the current accounting period but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore, have not been detailed in these condensed interim financial statements.

3.3 Standards, interpretations and amendments to the accounting and reporting standards as applicable in Pakistan that are not yet effective.

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after July 1, 2024 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore have not been detailed in these condensed interim financial statements.

4 USE OF JUDGEMENTS AND ESTIMATES

4.1 In preparing these condensed interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognised prospectively.

4.2 The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are the same as those described in the audited annual financial statements for the year ended June 30, 2023.



		March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
	Note	----- (Rupees in '000) -----	
5	PROPERTY, PLANT AND EQUIPMENT		
Operating assets	5.1	1,714,835	1,624,885
Capital work-in-progress	5.3	21,135	93,487
		<u>1,735,970</u>	<u>1,718,372</u>
5.1	Operating assets		
Opening book value		1,624,885	1,749,553
Additions during the period / year	5.2	113,030	68,876
Transferred from CWIP	5.3	102,801	4,728
Disposals during the period / year		(5)	(18)
Transferred from right of use assets to owned	5.4	35,358	251
Depreciation charged during the period / year		(161,234)	(198,505)
		<u>1,714,835</u>	<u>1,624,885</u>
5.2	Additions during the period / year		
Plant and machinery		6,790	9,143
Electric, water and gas installations		25,926	6,577
Laboratory equipment		10,245	14,967
Computers and accessories		6,513	3,279
Office and security equipment		2,094	8,855
Furniture and fixtures		1,943	600
Motor vehicles - owned		24,366	26
Spare parts and stand by equipment		35,153	25,429
		<u>113,030</u>	<u>68,876</u>
5.3	Capital work-in-progress		
Opening balance		93,487	35,849
Additions during the period / year		30,449	62,366
Transferred to operating assets		(102,801)	(4,728)
		<u>21,135</u>	<u>93,487</u>



	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
Note	----- (Rupees in '000) -----	
5.4 Right-of-use assets		
Opening balance	33,689	22,194
Additions during the period / year	4,802	23,971
Disposals during the period / year	(534)	(1,704)
Depreciation for the period / year	(2,599)	(10,521)
Transferred to owned assets	(35,358)	(251)
	<u><u>-</u></u>	<u><u>33,689</u></u>
6 LONG-TERM INVESTMENTS		
Pakistan Investment Bonds	6.1 2,960,218	3,190,381
Less: PIBs with current maturity	(98,788)	(286,652)
	<u><u>2,861,430</u></u>	<u><u>2,903,729</u></u>
6.1	These represent investments in Pakistan Investment Bonds (PIBs) having face value of Rs. 3,181.2 million (Rs. 3,469.2 million) carrying floating and fixed profit at the rate ranging from 12.38% to 21.86% (June 30, 2023: 12.38% to 22.75%) with maturities in September 2024, August 2025, April 2027, May 2028, June 2028, August 2028 and December 2030. The profit payments are made on quarterly and semi annually basis.	
	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
Note	----- (Rupees in '000) -----	
7 SHORT-TERM INVESTMENTS		
At amortised cost		
Reverse repo transaction	1,195,655	1,710,020
Treasury Bills	1,196,140	-
Pakistan Investment Bonds - current maturity	98,788	286,652
	<u><u>2,490,583</u></u>	<u><u>1,996,672</u></u>



8 CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

There have been no changes in the status of contingencies as reported in the annual financial statements for the year ended June 30, 2023, except for the following:

- 8.1.1** The Suits 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 had suspended the inquiry being conducted against them as well as their suspension and termination.

In the current period, the Court, through an order, lifted the stay orders, thereby validating their termination in accordance with the applicable simplicitor rules. Subsequently, the concerned parties opted to initiate an appeal before the Divisional Bench of the Sindh High Court, which, upon review, dismissed their appeals on Oct 23, 2023 and affirmed the Order issued by the Honourable High Court.

		March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
	Note	----- (Rupees in '000) -----	
8.2 Commitments			
Ijarah financing	8.2.1	-	24,797
Capital expenditure contracted for but not incurred		<u>116,372</u>	<u>25,443</u>
Commitments against letters of credit		<u>161,025</u>	<u>217,937</u>

- 8.2.1** The Company had car ijarah facility from the Meezan Bank Limited, which were terminated during the period. The ownership of the cars were with Meezan Bank Limited during the tenor of the facility of each vehicle which was transferred to the Company after termination. As per requirement of IFAS-2, Ijarah financing had been treated as an operating lease.

		March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
		----- (Rupees in '000) -----	
The total of future Ijarah payment under arrangement are as follows:			
Not later than one year		-	5,749
Later than one year and not later than five years		-	19,048
		<u>-</u>	<u>24,797</u>



9 SALES - NET

	Nine months ended		Three Months ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	----- (Unaudited) -----			
	----- (Rupees in '000) -----			
Banknote paper	5,099,728	3,057,408	2,117,927	999,447
Non-banknote paper				
- Commercial paper	518,983	910,261	6,037	132,014
- Others	632,111	268,647	12,412	142,050
	6,250,822	4,236,316	2,136,376	1,273,511
Sales tax	(953,515)	(620,299)	(325,888)	(189,806)
	5,297,307	3,616,017	1,810,488	1,083,705

9.1 Pakistan is the primary geographical market of the Company. Revenue is disaggregated by major product lines and timing of revenue recognition for each product line is at a point in time when risk and reward is transferred to the customer.



	Nine months ended	
	March 31, 2024	March 31, 2023
Note	----- (Rupees in '000) -----	
10 CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,756,379	661,840
Adjustments for:		
Depreciation on property, plant and equipment and ROUA	5.1 & 5.4 163,833	151,804
Amortization of intangible assets	2,057	2,046
Finance costs	4,346	6,023
Gain on disposal of property, plant and equipment	(1,618)	(829)
Provision against staff retirement benefits	25,427	25,286
Loss on re-measurement of investment in mutual fund (Gain) / loss on redemption of investments in mutual funds	(2,158)	(1,918)
Dividend income on mutual funds	-	(1,728)
Amortization of discount on Pakistan investment bond	(55,679)	(1,704)
Mark up on treasury bills	(36,181)	(51,873)
Mark up on investments in Pakistan investment bonds	(317,112)	(308,915)
Mark up on bank deposits	(36,886)	(77,700)
Capital gain on reverse repo transactions	(317,391)	-
Mark up on security deposits and employee loan	(1)	(2)
Changes in:		
- Stores, spare parts and loose tools	(61,649)	(41,271)
- Stock-in-trade	(329,196)	(189,649)
- Trade debts	319,337	(111,911)
- Loans, advances, deposits, prepayments and other receivables	(9,467)	40,482
- Trade and other payables	(300,090)	(275,063)
	<u>803,952</u>	<u>(147,477)</u>
11 CASH AND CASH EQUIVALENTS		
Reverse repo having maturity of less than 3 months	1,160,160	-
Cash and bank balances	92,730	621,841
	<u>1,252,890</u>	<u>621,841</u>
12 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.		
The principal activity of the company is manufacturing and sale of banknote and prize bond paper for Pakistan Security Printing Corporation (Private) Limited (PSPC), an associated company. All sales transactions with PSPC are carried out by the company using the "Cost plus mark up method". Other expenses are reimbursements of shared expenses.		



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.

Contributions to the employee retirement benefit funds are made in accordance with the terms of employee retirement benefit schemes and actuarial advice.

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.

The significant transactions with related parties carried out during the nine months ended March 31, 2024 and the balances outstanding as at March 31, 2024 are as follows:

Name of related party	Nature of relationship	% of Share Holding	Nature of transactions / balances	Nine months ended	
				March 31, 2024	March 31, 2023
				----- (Unaudited) ----- ----- (Rupees in '000) -----	
Pakistan Security Printing Corporation (Private) Limited	Associated undertaking	40.03	Sales - net	<u>4,321,803</u>	<u>2,609,260</u>
			Purchases	<u>5,285</u>	<u>3,567</u>
			Shared expenses charged by associate	<u>45,271</u>	<u>39,995</u>
			Dividend paid	<u>320,243</u>	<u>237,217</u>
			Trade debts and other payables - net	<u>1,207,820</u>	<u>603,385</u>
Summer Holdings, Turkey	Other	10	Dividend paid	<u>65,180</u>	<u>59,256</u>
			Dividend payable	<u>14,814</u>	<u>-</u>
Industrial Development & Renovation Organisation, Iran	Other	10	Dividend payable	<u>573,339</u>	<u>493,344</u>
KSB Pumps Limited	Other	-	Purchases	<u>4,047</u>	<u>499</u>
Elcott Spinning Mills Limited	Other	-	Purchases	<u>108,297</u>	<u>635</u>
Employees retirement funds	Employees benefit fund	-	Contribution made	<u>21,355</u>	<u>33,887</u>
Key management personnel	Related parties	-	Remuneration and benefits	<u>243,361</u>	<u>187,735</u>



13 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is 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. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

13.1 Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Company to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

On-balance sheet financial instruments

March 31, 2024 (Unaudited)							
Note	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 not measured at fair value

Investments

- Pakistan investment bonds	-	2,960,218	-	2,960,218	-	2,828,889	-
- Reverse repo transaction	13.2	-	1,195,655	1,195,655	-	-	-

Loans, deposits and other

receivables	13.2	-	96,760	96,760	-	-	-
Interest accrued	13.2	-	95,276	95,276	-	-	-

Trade debts	13.2	-	1,246,057	1,246,057	-	-	-
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Cash and bank balances	13.2	-	92,730	92,730	-	-	-
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-	-	5,686,696	-	5,686,696	-	-	-
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Financial liabilities not measured at fair value

Lease liabilities	13.2	-	-	-	-	-	-
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Trade and other payables	13.2	-	1,509,030	1,509,030	-	-	-
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Mark-up accrued	13.2	-	31	31	-	-	-
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Unclaimed dividend	13.2	-	23,470	23,470	-	-	-
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Unpaid dividend	13.2	-	536,431	536,431	-	-	-
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-	-	-	2,068,962	2,068,962	-	-	-
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On-balance sheet financial instruments

June 30, 2023 (Audited)							
Note	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 not measured at fair value							
Investments							
	-	3,190,381	-	3,190,381	-	3,300,522	-
Loans, deposits and other receivables							
13.2	-	87,776	-	87,776	-	-	-
13.2	-	108,183	-	108,183	-	-	-
13.2	-	1,565,394	-	1,565,394	-	-	-
13.2	-	403,551	-	403,551	-	-	-
	-	5,355,285	-	5,355,285	-	-	-
Financial liabilities not measured at fair value							
Lease against assets subject to finance lease							
13.2	-	-	35,252	35,252	-	-	-
13.2	-	-	1,045,156	1,045,156	-	-	-
13.2	-	-	8	8	-	-	-
13.2	-	-	459,384	459,384	-	-	-
13.2	-	-	4,510	4,510	-	-	-
	-	-	1,544,310	1,544,310	-	-	-

13.2 The Company has not disclosed fair values for these financial assets and financial liabilities because their carrying amounts are reasonable approximation of fair value.

14 GENERAL

14.1 The Board of directors in its meeting held on September 13, 2023 approved the transfer of Rs. 295.144 million from unappropriated profits to general reserves (September 29, 2022: Rs. 356.43 million).

14.2 The Board of Directors in its meeting held on February 21, 2024 has approved an interim cash dividend of Rs 2.50 per share for the year ending June 30, 2024, amounting to Rs 148.15 million. These condensed interim financial statements include the effect of the said interim dividend.

14.3 The Securities and Exchange Commission of Pakistan (SECP) vide its order dated January 26, 2024 has determined the Company as Public Sector Company (PSC). Subsequently, an e-mail was received from the SECP dated February 12, 2024 containing directions to bring the Company in conformity with the provisions of the SOE Act, 2023. The said order of the SECP, read with the aforesaid directions, has created uncertainty as to the applicable provisions of law to be followed for the purposes, inter alia, of election of directors and composition of the board. The Company contests the adjudication and has already challenged the determination in an appeal before the Appellate Bench, SECP. The Company maintains that the decision cannot be sustained in light of clear disregard of the merits as to, inter alia, structure of the Company as a Public Listed Company created in pursuance of a tripartite agreement between Pakistan, Iran, and Turkey, as well as a departure from settled principles of procedural law and of jurisdiction. Also, a Constitutional Petition No. D-953 of 2024 has been filed by the Company before the Honourable High Court of Sindh ("SHC") and the SHC vide its Order dated February 23, 2024, has restrained Respondent No. 3 (i.e. SECP) from taking any coercive action against the Company pursuant to the Order dated January 26, 2024, until such time that the said appeal or the interim application therein is adjudicated upon.



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15 DATE OF AUTHORISATION

These condensed interim financial statements were authorised and approved by the Board of Directors of the Company on April 29, 2024 .

Handwritten signature of Imran Qureshi in black ink.

IMRAN QURESHI
Chief Executive Officer

Handwritten signature of Jamal Nasim in black ink.

JAMAL NASIM
Director

Handwritten signature of Mudassir Ali Khan in black ink.

MUDASSIR ALI KHAN
Acting Chief Financial Officer



ATTENTION SHAREHOLDERS

Attention of shareholders is invited to the following legal requirements:

1. CNIC / NTN Number on Dividend Warrant (Mandatory)

In terms of the Companies (Distribution of Dividends) Regulations, 2017. Regulation 4, Manner of payment of cash dividend, (iv) the Dividend Warrant or cheque should bear identification number.

Explanation _ For the purpose of these regulations identification number includes Computerized National Identity Card Number (CNIC) of the registered shareholder or the authorized person, child registration certificate number or juvenile card number in case of a minor, where applicable and registration number or national tax number of the shareholder being a person other than a natural person.

In order to comply with the SECP's directives and in terms of Section 243(2)(a) of the Companies Act, 2017, the Company shall be constrained to withhold the Dividend Warrant(s), in case of non-availability copy of valid CNIC (for individuals) and National Tax Number (for a corporate entity).

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 Share Registration Services (Pvt.) Limited.

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

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 Tax Payers List (ATL) — 15%.
Persons not appearing in Active Tax Payers List (ATL) — 30%.

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

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).

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



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

The required information must reach our Share Registrar within 10 days of this notice; otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s).

As per FBR Circulars C. No. 1 (29) WHT/2006 dated 30 June 2010 and C. No. 1 (43) DG (WHT)/2008- Vol. II -66417-R dated 12 May 2015, the valid exemption certificate is mandatory to claim exemption of withholding tax U/S 150 of the Income Tax Ordinance, 2001 (tax on dividend amount) where the statutory exemption under clause 47B of part – IV of Second Schedule is available. The shareholders who fall in the category mentioned in the above clause and want to avail exemption U/S 150 of the Ordinance, must provide valid Tax Exemption Certificate to our Share Registrar before book closure otherwise tax will be deducted on dividend as per applicable rates.

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 Share Registration Services (Pvt.) Limited at phone 021-34380101-5 and email address: info.shares@famcosrs.com.

The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the company or FAMCO Associates (Pvt.) Ltd. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

3. Payment of Cash Dividend Electronically (Mandatory)

In accordance with the provisions of Section 242 of the Companies Act, 2017 and Companies (Distribution of Dividends) Regulations, 2017, it is mandatory for a listed company to pay cash dividend to its shareholder only through electronic mode directly into their bank account designated by the entitled shareholders instead of issuing physical dividend warrants.

Therefore, shareholders are requested to provide the details of their bank mandate information specifying: (a) title of account, (b) account number (c) IBAN number (d) bank name and (e) branch name, code and address to the Company or Share Registrar. Those shareholders who hold shares with participants / Central Depository Company of Pakistan (CDC) are advised to provide the same to their concerned participant / CDC.



Please note that as per Section 243(3) of the Companies Act, 2017, listed companies are entitled to withhold payment of dividend, if necessary, information is not provided by shareholders.

For the convenience of shareholders, e-Dividend Mandate Form is available on Company's website: <http://www.security-papers.com>.

4. Unclaimed / Unpaid Shares and Dividends

In accordance with the provisions of Section 244 of the Companies Act, 2017, any shares issued or dividend declared by the Company, which remain unclaimed or unpaid for a period of three years from the date it is due and payable, the Company shall give ninety days notices to the shareholders to file claim, if no claim is made before the Company by the shareholders, the Company shall proceed to deposit the unclaimed or unpaid Shares / Dividends with the Federal Government in compliance with the Section 244 of the Companies Act, 2017.

In this regard, a Notice dated December 28, 2017 was sent by Registered Post acknowledgement due on the last known addresses of the shareholders to submit their claims within 90 days to the Company. In compliance of Section 244(1)(b) of the Companies Act, 2017 a Final Notice had also been published on 30th March 2018 in two daily newspapers i.e. (i) Business Recorder and (ii) Daily Jang in English and Urdu respectively.

In case no claim is received within the given period from the aforesaid Notice, the Company shall proceed to deposit the unclaimed / unpaid 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.

5. Conversion of Shares from Physical Form to Book-Entry-Form

The Securities and Exchange Commission of Pakistan (SECP) has issued a letter No. CSD/ED/Misc./2016-639-640 dated March 26, 2021 addressed to all listed companies referring their attention towards the provision of Section 72 of the Companies Act, 2017 (Act) which requires to all the then existing companies to replace shares issued by them in physical form with shares to be issued in the Book-Entry-Form within a period not exceeding four years from the date of the promulgation of the Act.

In order to ensure full compliance with the provisions of the aforesaid Section 72 and to be benefitted of 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.

6. Placement of Financial Accounts on Website

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



7. Change of Address (If any)

Members are requested to notify any change in their addresses immediately.

Shareholders are requested to provide above mentioned information/documents to (i) respective Central Depository System (CDS) Participants and (ii) in case of physical securities to the Company / Share Registrar:

Registered Office

The Company Secretary
Security Papers Limited
Jinnah Avenue, Malir Halt,
Karachi.
Tel. No: (+9221) 99248285

Email: comsec@security-papers.com
Website: <http://www.security-papers.com>

OR Share Registrar

FAMCO Share Registration Services
(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
Email: info.shares@famcosrs.com
Website: www.famco.com.pk

Karachi
April 29, 2024

Yasir Ali Quraishi
Company Secretary & Legal Counsel



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