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ISO 14001:2015 &
ISO 45001:2018 Certified

Security Papers LIMITED

28 January 2025

The General Manager,
Pakistan Stock Exchange Limited
Stock Exchange Building,
Stock Exchange Road,
Karachi.

SUB: Clarification on the News Article dated 27 January 2025, "Security Paper and the case of the delayed elections".

Dear Sir,

In accordance with Section 96(2) of the Securities Act, 2015 and Clause 5.6.2 of PSX Regulations, M/s. Security Papers Limited ("Company") would like to convey the following clarification in relation to the news article titled "Security Paper and the case of the delayed elections" published in Profit Magazine dated 27 January 2025 (hereinafter referred to as "News Article").

It is conveyed that the Company denies certain contents of the News Article owing to factual errors. The Company's stance and clarifications on the election of directors and legal status of the Company have been disclosed in detail in the Director's Report and the Statement of Compliance as stated in the Annual Financial Statement for the financial year ended 30 June 2024, and notes forming part of the Interim Financial Statements for the quarter ended 30 September 2024. The said documents are attached and marked as 'Annexure - A'.

It is further stated that the Company had sent responses to the questions asked by the reporter related to the News Article however, the responses provided by the Company on 25 January 2025, were not incorporated into the article, leading to certain factual inaccuracies.

Disclosure form in term of Section 96 and 131 of the Securities Act, 2015 is attached for information.

You may please inform the TRE Certificate Holders of the Exchange accordingly.

Yours faithfully,
for and on behalf of

Security Papers Limited


Yasir Ali Quraishi
Company Secretary & Legal Counsel



CC: Additional Joint Director
Supervision Division, Listed Companies Department,
Listed Companies Supervision Wing
Securities & Exchange Commission of Pakistan
NIC Building, Jinnah Avenue, Islamabad-44000, Pakistan

**Registered Office &
Shares Department :**
Factory :

Jinnah Avenue, Malir Halt, Karachi-75100.
Ph.: (92)-021-99248285 Fax No.: (92)-021-99248286 NTN: 0712033-8 STR No.02-04-4816-002-64
Jinnah Avenue, Malir Halt, Karachi-75100. Ph.: 99248536-37 Fax.: 99248616,99248538



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Security Papers LIMITED

SCHEDULE DISCLOSURE FORM

28 January 2025

Name of Company: Security Papers Limited
Registered Office: Jinnah Avenue, Malir Halt, Karachi-75100, Pakistan.
Date of Report: 28 January 2025
Contact Information: Yasir Ali Quraishi
Company Secretary & Legal Counsel

Telephone No.: +92-21-99248536
Email Address: yasir@security-papers.com

Please mark the appropriate box below:

Disclosure of inside information by listed company in terms of Section 96 of the Securities Act, 2015.

In accordance with Section 96(2) of the Securities Act, 2015 and Clause 5.6.2 of PSX Regulations, M/s. Security Papers Limited ("Company") would like to convey the following clarification in relation to the news article titled "Security Paper and the case of the delayed elections" published in Profit Magazine dated 27 January 2025 (hereinafter referred to as "News Article").

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It is further stated that the Company had sent responses to the questions asked by the reporter related to the News Article however, the responses provided by the Company on 25 January 2025, were not incorporated into the article, leading to certain factual inaccuracies.

For Security Papers Limited

Yasir Ali Quraishi
Company Secretary & Legal Counsel



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DIRECTORS' REPORT

Annexure - A

Diversity, Equity and Inclusion

SPL strives to be an equal opportunity employer with focus on both gender diversification and provision of opportunities to differently abled persons. We employ 5 differently abled persons and have increased the female workforce in management from 6% to 14% including representation in our leadership team.

The Company is continuously reviewing its policies with the aim to facilitate an inclusive and supportive work environment.

Board and Committees Changes

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

Mr. Hamid Bazargan, non-executive Director, joined the Board as a nominee of Industrial Development and Renovation Organization of Iran in place of Mr. Ahmad Hatami Yazd. Mr. Muhammad Sualeh Ahmad Faruqui resigned from directorship during the financial year. Mr. Arshad Mehmood Bhatti has also joined the Board as nominee of Pakistan Security Printing Corporation (Pvt) Limited.

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 directors 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 27).

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 - 1

Composition:

- (i) Independent Directors* - 1
- (ii) Non-Executive Directors - 7
- (iii) Executive Directors - 1

Name of Directors

- Mr. Mohammad Aftab Manzoor - Chairman
- Mr. Munir Ahmed - Director - Independent
- Mr. Jamal Nasim - Director
- Mr. Hamid Bazargan - Director
- Ms. Figen Caliskan - Director
- Hafiz Mohammad Yousaf - Director
- Mr. Shafqaat Ahmed - Director
- Mr. Arshad Mehmood Bhatti - Director
- Mr. Imran Qureshi - Chief Executive Officer

*It is informed that eight days before the start of the financial year 2023-24, an independent director vacancy was created on the Board of the Company. Therefore, the FY 2023-24, commenced with only two independent directors on the Board namely, Mr. Munir Ahmed and Mr. Sualeh Ahmed Faruqui. This issue of one-third independent directors was to be addressed at the 8th Extraordinary General Meeting ("EOGM") for the purpose of election of directors of Security Papers Limited (the "Company / SPL"), which was due to be held on 29 November 2023.

However, Writ Petition No. 3877 of 2023 was filed against the Company before the Islamabad High Court (IHC) by a shareholder, who had also submitted his candidature to contest the election of directors for 'independent director category'. IHC, vide an interim order dated 28 November 2023, suspended the elections of directors. The said case, on merits, was finally dismissed by IHC in favor of the Company and a cost of Rs 300,000/- was imposed on the Petitioner, as the IHC deemed that he had no cause of action and had sought to abuse the process of the Court.

As the aforesaid case had been dismissed and the interim order of IHC, suspending the election, stood vacated, the 8th EOGM of SPL was once again scheduled for 13 February 2024, for the purpose of election of directors. However, the Securities and Exchange Commission of Pakistan ("SECP") passed an Order dated January 26, 2024 ("SECP Order") and determined the Company as Public Sector Company ("PSC"). Subsequently, an email was received from the SECP dated 12 February 2024, containing directions to bring the Company in conformity with the provisions of the State-Owned Enterprises Act 2023 (hereinafter the "SOE Act"). The SECP Order read with the said 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. SPL has

DIRECTORS' REPORT

contested this adjudication and has already challenged the determination in an appeal before the Appellate Bench of SECP.

Before proceeding with the agenda of 8th EOGM for election of directors, the Chairman informed the shareholders on 13 February 2024 that SECP had determined SPL to be a PSC and secondly that on 12 February 2024 at 2:15pm., SPL received another directive from the SECP via email stating that the SOE Act is applicable to SPL and that failure to comply with the provisions of SOE Act would result in necessary action in accordance with law. This erroneous determination by SECP requires further deliberation from a legal perspective considering the pendency of appeal before the SECP involving questions as to the determination of the nature of the Company. Given these developments, a resolution was passed by the shareholders that it was prudent to seek legal advice on the matter and therefore, the 8th EOGM of SPL was adjourned with the consent of the members under Article 44 of Article of Association of the Company, until a further date that would be communicated to the shareholders, accordingly.

As informed above, this financial year started with only two independent directors on the Board of SPL and owing to the SECP Order being in field, Mr. Muhammad Sualeh Ahmad Faruqi, one of the independent directors who served as such at the start of the financial year, resigned from the Board of the Company on 9 February 2024. As such, currently there is only one independent director on the Board namely, Mr. Munir Ahmed.

The Company had applied to the SECP for an extension in the due date of holding its election of directors twice since February 2024 on the basis of the impediments as have been mentioned in detail above. SPL, vide its letter dated 9 May 2024, stated that the impediment for holding of election of directors, still continues and persists as the final determination of the Company's status as a PSC pursuant to the SECP Order is still pending adjudication in an appeal. As a consequence, the Company requested CRO Karachi, SECP that the due date for holding elections on June 4 2024, as directed by SECP, may be further extended till the final decision of the said appeal by the Appellate Bench of SECP.

It is further submitted that CRO Karachi, SECP, vide its Order dated 20 May 2024, having considered the submissions made by the Company and after recognizing the impediments faced by SPL, acceded SPL's request and directed the Company to hold its election of directors on 3 September 2024.

Pattern of Shareholding

A statement showing the pattern of shareholding as at June 30, 2024 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. During the year under review, ensuing its commitment of supporting quality health care and education projects in the country, SPL contributed Rs 9.67 million in the social sectors by collaborating with Indus Hospital, SOS Children village and The Citizens' Foundation.

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

No payment on account of taxes, loan, 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 the implementation of internal controls, whereas the Audit Committee reviews the effectiveness of the internal control framework and

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

Name of Company: SECURITY PAPERS LIMITED

Year Ended: JUNE 30, 2024

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: 01
2. The composition of the Board is as follows:

Category	Names
i) Independent Directors*	Mr. Munir Ahmed
ii) Non-Executive Directors	Mr. Mohammad Aftab Manzoor
	Mr. Jamal Nasim
	Mr. Hamid Bazargan
	Ms. Figen Caliskan
	Hafiz Mohammad Yousaf
	Mr. Shafqaat Ahmed
iii) Executive Director	Mr. Arshad Mehmood Bhatti
	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.

*It is informed that eight days before the start of the financial year 2023-24, an independent director vacancy was created on the Board of the Company. Therefore, the FY 2023-24, commenced with only two independent directors on the Board namely, Mr. Munir Ahmed and Mr. Muhammad Sualeh Ahmed Faruqi. This issue of one-third independent directors was to be addressed at the 8th Extraordinary General Meeting ("EOGM") for the purpose of election of directors of Security Papers Limited (the "Company / SPL"), which was due to be held on 29 November 2023.

However, Writ Petition No. 3877 of 2023 was filed against the Company before the Islamabad High Court (IHC) by a shareholder, who had also submitted his candidature to contest the election of directors for 'independent director category'. IHC, vide an interim order dated 28 November 2023, suspended the elections of directors. The said case, on merits, was finally dismissed by IHC in favour of the Company and a cost of Rs. 300,000/- was imposed on the Petitioner, as the IHC deemed that he had no cause of action and had sought to abuse the process of the Court.

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

As the aforesaid case had been dismissed and the interim order of IHC, suspending the election, stood vacated, the 8th EOGM of SPL was once again scheduled for 13 February 2024, for the purpose of election of directors. However, the Securities and Exchange Commission of Pakistan ("SECP") passed an Order dated January 26, 2024 ("SECP Order") and determined the Company as Public Sector Company ("PSC"). Subsequently, an email was received from the SECP dated 12 February 2024, containing directions to bring the Company in conformity with the provisions of the State Owned Enterprises Act 2023 (hereinafter the "SOE Act"). The SECP Order read with the said 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. SPL has contested this adjudication and has already challenged the determination in an appeal before the Appellate Bench of SECP.

Before proceeding with the agenda of 8th EOGM for election of directors, the Chairman informed the shareholders on 13 February 2024 that SECP had determined SPL to be a PSC and secondly that on 12 February 2024 at 2:15pm., SPL received another directive from the SECP via email stating that the SOE Act is applicable to SPL and that failure to comply with the provisions of SOE Act would result in necessary action in accordance with law. This erroneous determination by SECP requires further deliberation from a legal perspective considering the pendency of appeal before the SECP involving questions as to the determination of the nature of the Company. Given these developments, a resolution was passed by the shareholders that it was prudent to seek legal advice on the matter and therefore, the 8th EOGM of SPL was adjourned with the consent of the members under Article 44 of Article of Association of the Company, until a further date that would be communicated to the shareholders, accordingly.

As informed above, this financial year started with only two independent directors on the Board of SPL and owing to the SECP Order being in field, Mr. Muhammad Sualeh Ahmad Faruqi, one of the independent directors who served as such at the start of the financial year, resigned from the Board of the Company on 9 February 2024. As such, currently there is only one independent director on the Board namely, Mr. Munir Ahmed.

Due to the resignation of the above-mentioned two directors, the casual vacancies have arisen which have not been fulfilled as at June 30, 2024, pending election of directors.

The Company had applied to the SECP for an extension in the due date of holding its election of directors twice since February 2024 on the basis of the impediments as have been mentioned in detail above. SPL, vide its letter dated 9 May 2024, stated that the impediment for holding of election of directors, still continues and persists as the final determination of the Company's status as a PSC pursuant to the SECP Order is still pending adjudication in an appeal. As a consequence, the Company requested CRO Karachi, SECP that the due date for holding elections on June 4 2024, as directed by SECP, may be further extended till the final decision of the said appeal by the Appellate Bench of SECP.

It is further submitted that CRO Karachi, SECP, vide its Order dated 20 May 2024, having considered the submissions made by the Company and after recognizing the impediments faced by SPL, acceded SPL's request and directed the Company to hold its election of directors on 3 September 2024.

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.



Notes to and Forming Part of the Condensed Interim Financial Statements (Un-audited)

For the three Months ended September 30, 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.

- 1.2 The Securities and Exchange Commission of Pakistan (SECP) vide its Order dated January 26, 2024 ("SECP Order") had determined the Company as Public Sector Company (PSC). Subsequently, a communication was received from the SECP dated February 12, 2024, containing directions to bring the Company in conformity with the provisions of SOE Act 2023. The said order of the SECP, read with the aforesaid directions, had 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 contested the adjudication and had challenged the determination in Appeal No. 14 of 2024, before the Appellate bench of SECP. Also, a Constitutional Petition No. D-953 of 2024 was filed by the Company before the Sindh High Court ("SHC") and the same was disposed of, with the direction that Respondent No. 3 (i.e. SECP) shall not to take any adverse action against the Company pursuant to SECP Order, until such time that the said appeal is adjudicated.

Further, the aforesaid appeal was fixed for hearing by the Appellate Bench on 25 April 2024 and the Company argued that certain institutions should be impleaded as necessary & proper parties, as the nature of their shareholding were taken into account for determining the Company's legal status, as a PSC. The Appellate Bench vide its Order dated 2 May 2024 held that Director/HOD, Adjudication-I (SECP) is the sole party, whose presence is required for the efficient implementation of the order that the Appellate Bench would pass in the said appeal.

Being aggrieved by the Order dated 2/05/2024 of the Appellate Bench, the Company filed a Misc. Appeal No. 94 of 2024 before the SHC and it was directed vide Court Order dated 16.05.2024 that the Appellate Bench shall not conclude the said appeal without calling for required information from Pakistan Security Printing Corporation (Pvt.) Limited, State Life Insurance Company, Punjab Provincial Cooperative Bank Limited, National Investment Trust, Pakistan Reinsurance Company Limited, as the Company has been determined as a PSC on the basis of their shareholding.

On the next hearing date i.e. 30 May 2024, the Company's legal counsel highlighted to the Appellate Bench that the aforesaid institutions need to be heard and their comments should be sought before proceeding with the said appeal. Upon the request of the Appellate Bench, the Company's legal counsel also provided the said bench with a list of requisite questions on 06.05.2024 that needed to be answered by the said institutions. However, the Appellate Bench, issued an Order dated 30.05.2024, thereby directing that only NIT and PPCBL needs to submit responses to the requisite questions. A review of the Appellate Bench's Order dated 30.05.2024, has been filed by the Company and is pending adjudication before the said bench.



A Constitutional Petition No. 4503/2024 was filed by a few shareholders of the Company, holding 1.426% shares as on 18 September 2024, before the SHC on 19/09/2024, whereby it was prayed that the Court should direct Respondent No.3 (i.e. Appellate Bench, SECP) to hear the Appeal No. 14 of 2024, filed before the Appellate Bench, SECP and to decide the same, expeditiously. The said petition is currently pending adjudication and there was no interim relief granted to the Petitioners.

A Constitutional Petition No. 4504/2024 was also filed by a few shareholders of the Company, holding 1.426% shares as on 18 September 2024, before the SHC on 19/09/2024, whereby it was prayed that the Court should direct the Respondent No. 5 (i.e. SPL) to implement & enforce SOE Act, 2023 and to appoint independent directors as per Sections 11 & 12 of the said Act. The set petition is currently pending adjudication and there was no interim relief granted to the Petitioners. The Company has already filed its reply to this petition wherein, inter alia, it has apprised the Court that the extension in holding the elections of directors, was duly granted by SECP.

Based on the advice of the Company's legal counsel, the Company believed that there are reasonable arguments that the Company is not a PSC and expect a favourable outcome.

Notwithstanding the ultimate outcome of the above matter, it would only impact the status of the Company as a public sector Company or not without having any impact on the financial position of the Company.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These condensed interim financial statements of the Company for the three months period ended September 30, 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:

- 2.1 - 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, 2024. 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.